

JPRS-EER-89-039  
10 April 1989



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# ***JPRS Report***

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# **East Europe**

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JPRS-EER-89-039

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10 APRIL 1989

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## CZECHOSLOVAKIA

### CPCZ Leadership Maneuverings Discussed

24000111 Rome LISTY in Czech

No 1, Feb 89 pp 20-21

[Article by Milan Huebl (Prague) in the bimonthly "publication of the Czechoslovak socialist opposition": "Alternates for the Alternative Development"]

[Text] Now that some time has passed since the CPCZ [Czechoslovak Communist Party] Central Committee plenum of 15-16 December 1988, some of the plenum's developments appear in a somewhat different light than they did immediately after the plenum. This is true thanks to some additional facts about the plenum's preliminary maneuvers and proceedings which have since come to light. Thus the departure of Vasil Bilak, although in itself not without a definite political significance, is no longer the prime development produced by the plenum. The same is true about a critical speech given at the plenum by Chnoupek. It was directed against Bilak and Stefanak, and pointed out the sterility of their concepts of foreign policy and international relations. This speech was symptomatic of the increasing tensions between the members of the CPCZ Central Committee, as was the verbal encounter between Chnoupek and the presiding Fojtik. But even this performance by Chnoupek was not the most important ingredient added by the plenum to the political goings-on within the governing structures. In light of additional information I now see that the main importance of the plenum lay in the fact that, with the decision to convene the 18th CPCZ Congress on May 10, 1990, the plenum was the scene of the first open power confrontation between the potential alternates for the CPCZ leadership. The question of succession to the leading functions of the party and state will appear in full intensity during the transition period of preparations for the congress, and it will take on the guise of a generational change of the leadership. After all, it will be not only Gustav Husak, who will reach advanced age by then and will have to be replaced. The same will be true of Milos Jakes, Alois Indra, and Karel Hoffmann, all of whom will be approaching their seventies, thus putting in question the appropriateness and feasibility of their being elected to another 5-year term.

The younger members of the CPCZ Central Committee presidium who had joined it during the past year are very much aware of this. Their principal goal now is to maneuver themselves into the best and strongest possible position from which to join the fight for accession whenever the decisive moment comes up. Moreover, the confrontation which took place in the course of the fight for the Bilak post when he retired—or, more accurately, when he was retired—already was part of these preliminary encounters in the race for the highest prize. Back in the fall of 1988, the most prominent contender for the Bilak inheritance was the Prague CPCZ Municipal Committee Secretary Miroslav Stepan. He became one of the

most active figures on the local political scene and on the eve of the plenum the job of CPCZ CC Secretary and chairman, not only of the commission for foreign affairs but also of the ideological commissions, seemed well within his grasp. Yet, while for a time all this seemed to be at his fingertips, all of a sudden it vanished like a dream.

What was it that had caused everything to go awry at the very last moment? Nothing in politics goes awry by itself. Who were the people who opposed this decision, already practically made, and who blocked Stepan's access to the highest levels of power from where there would be only a step to the highest function? Although at this moment we do not yet know everything that had happened behind the soundproof door of the conference chamber, we can already discern some definite facts. First of all, all the Slovak members on the presidium stood up against the Stepan appointment. They pointed out that foreign policy and international affairs were issues of common concern to both parts of the federation. After Chnoupek's departure from the function of minister of foreign affairs and Bilak's from the function of secretary for international relations, the Slovaks would have been deprived of all influence on formulating joint policies in that area; the Slovaks characterized this as a breach of the principle of federation. The Czech public does not perceive with enough sensitivity the reaction engendered in Slovakia by personnel changes at the highest level of power, when the ratio of the Slovak presidium members dropped from one-third to one-fourth and the representation of Slovaks in the government shrank almost to what it was under Novotny. This is something which the Czech man in the street may welcome with satisfaction, still those on the Czech side who are interested in harmonious relations inside a common state should not remain indifferent to the recurrence of neo-Novotnism in dealing with the Slovak question. Moreover, it helps the conservative wing in Slovakia, as was made clear by the Salgovic speech to the CPCZ Central Committee plenum in December 1988. The dispute ended with a compromise; the chairmanship of the foreign affairs commission went to CPCZ CC Secretary Jozef Lenart, in addition to his chairmanship of the economic commission. Since this would present a superhuman task even for a man much more efficient than Lenart, one may conclude that his was a transitional and temporary appointment.

It must be noted that a crucial role in the elimination of Stepan was played by the negative stance of the "Czech Bureau." The chairman of the commission for party work in the CSR, Karel Urbanek, put himself firmly against the Stepan candidacy. This meant that representatives of both the regional-national bodies stood up in opposition to the Stepan candidacy. This made the candidacy a totally lost cause. Stepan's fate was then definitely sealed at a session of the CPCZ CC Secretariat on Wednesday, 14th December 1988. That session was evaluating the report of Hegenbart's department which characterized the course of the Lennon manifestation of

8th December as politically satisfactory but termed the course of the meeting at Skroup Square on 10th December as "inflammatory" (specifically the speech by R. Battek, P. Pacak, and the shouted slogans of "Resign, Resign," and "Down With One Party Rule!") Stepan's position was made more difficult still by the leadership of the CPCZ District Committee of Prague 3 which criticized the fact that the permit to hold the Skroup Square meeting was granted over their heads by an explicit order of the leadership of the Prague CPCZ Municipal Committee.

This lost battle has considerably damaged Stepan's position and his chances as an alternate of the party apparatus have greatly diminished. It is known that while he was decorating members of the police units who had brutally chased away the demonstrators on 28th October 1988, Stepan stated to them: "We shall crush the hydra of the counterrevolution." At the same time he did not object to the participation of Vaclav Havel at the celebration of the 30th anniversary of the Na Zbradli Theater at which Stepan was present. He is being charged with conducting a two-faced policy—a known 1968 tactic. Could it be that there was a new "second center" in Prague in the making?

The position of the municipal apparatus has become weakened. Stepan has not yet had time to build a position inside the CPCZ Central Committee, he does not figure in the "Czech Bureau" and he has already come into an open conflict with the Slovak part of the leadership. He has accumulated too many negative points in a very short time and so his chances for the future are not particularly rosy.

On the other hand Karel Urbanek, who up until now has been a man of insignificant stature, has proved himself to be a skillful tactician who had blocked the path to advancement of his greatest potential rival and, at the same time, already started building bridges to the Slovak CPCZ CC members. And it has been shown during 1967-69 that in a situation in which the Czech majority divides into two factions, the Slovaks become the decisive factor in the balance of power. At the start of the year it is possible to say that Karel Urbanek has entered it with the best starting position as far as the future rounds of the succession struggle are concerned. For the time being he has not shown his hand too much, but this year's developments will force him to express himself politically in public and then the moment of truth will come.

In the meantime, in the alternates' racing stables, other interested candidates are milling around, impatient for the seizure of power. For instance, the young nephew of the Secretary General, Vladimir Kunovjanek, at the moment director of the CPCZ CC Institute of Marxism-Leninism, soon perhaps to become Fojtik's successor for the post of chief ideolog. The year 1989 promises to be an interesting year.

## HUNGARY

### Poll on Popular Recognition of Alternative Political Movements

25000096b Budapest *MAGYAR NEMZET*  
in Hungarian 27 Dec 88 p 5

[Article by Ervin Zsubori: "Who Knows What About the Alternative Movements"]

[Text] One encounters the concept of socialist pluralism more and more frequently, but as yet few people would be able to define it unambiguously. Or more accurately, everyone is interpreting its meaning differently. With the formation of the many new interest-representing organizations, societies, independent trade unions, confederate fronts and clubs, however, it would be difficult to deny that the political system today is different from what it was even six months ago. For something has been set in motion, something has started. Namely, a process that gradually is becoming irreversible and could hardly be made nonexistent again.

But some people are saying: A breakthrough? What nonsense. Who knows anything at all about alternative organizations?

### Continual Rise

Who indeed knows about them? We found a sort of an answer to this question in a recent report by the Hungarian Public Opinion Research Institute. Between 29 November and 1 December 1988, the institute conducted a questionnaire survey in which it interviewed 300 Budapest respondents, and 100 respondents each in Ozd, Hodmezovasarhely and Sarvar. In accordance with the minimal requirement for such surveys, the samples were representative of their settlements in terms of education, age, and sex. The questions were about the newly formed alternative organizations and groups.

It would now be difficult to pinpoint just where exactly this process began. If we recall the time before the "avalanche" started, it seems that the Hungarian Democratic Forum (MDF) was the first political organization to attract national attention. As evident from repeated surveys, public awareness of the MDF's existence—it was formed "officially" in early September 1988—rose continually with each successive month. Barely more than half of the Budapest respondents had heard of the MDF immediately after its formation; but already 65 percent had known of it at the beginning of November; and nearly 80 percent, in December.

If we consider that the MDF, although formed originally in Lakitelek, held its much-talked-about meetings mainly in the Jurta Theater in Budapest, where also the channels of glasnost are more open and better developed, then it is not surprising that the MDF was relatively less familiar to the provincial respondents: fewer than 60 percent had heard of the organization. Incidentally, the



same may also be said of the other alternative organizations that the Hungarian Public Opinion Research Institute investigated. There is no denying that Budapest remains Budapest also in this respect.

The interviewers were also interested in finding out how the individual organizations' acceptance rating changed during the elapsed period. In the case of the MDF, for instance, about four-fifths of the Budapest respondents approved of its formation until November, but in December this proportion dropped to 66 percent. The proportion of respondents who approved was about the same in the provinces as well. Interestingly, the drop in the proportion of approvals was due to a rise in the number of undecided respondents, rather than in the number of disapproving ones. The number of respondents unable to form a clear opinion of the MDF rose to one-fourth from one-tenth earlier.

It would be interesting to analyze why this was so. One would think that the more an organization appears in public, the more issues it adopts standpoints on, and the more the localities in which it makes itself heard within the country, then the easier it becomes for a person to decide whether he approves or disapproves of the given organization's aspirations. Or does the rise in the proportion of undecided respondents indicate that the given group fails to formulate its objectives and policies clearly? Or perhaps that these proclaimed planks are changing from month to month, thereby causing more indecision? Only a more thorough and more detailed survey could provide answers to these questions. A survey that takes into consideration the changes in the various organizations' programs, and the consistency and "philosophical orderliness" of their declarations and standpoints; and which somehow provides the most objective feedback possible regarding the impact of all this on public opinion.

Noteworthy in this respect is also the hypothesis the analysts of the Hungarian Public Opinion Research Institute worked with. They assumed that—after the MDF's formation, for instance—people based their opinion of the MDF on who were its participants (these included many well-known politicians, scientists, and literary figures) and on its declarations, which identified the attainment of democracy as the MDF's main objective. In other words, that people based their opinion on their assumed image of the MDF. But as the MDF became more "tangible"—as its program was clarified and made available to more people; and as numerous MDF local groups were formed where personal experience revealed that the initially felt empathy, evidently often only tentative, was in conflict with the actual programs—it created uncertainty in some strata. Probably a contributing factor to all this is also the fact that several other political groups have emerged in the meantime, adding more color and diversity, and including also alternative groups that are perhaps closer to the undecided respondents' expectations.

### Majority Approves

One such group is the New March Front, among others. Its public recognition has also risen. Fewer than half of the Budapest respondents were able to identify it at the beginning of November, and now 55 percent know of its existence. In the provinces this proportion is still barely higher than 40 percent. Incidentally, this organization is in a situation similar to that of the MDF: The number of respondents undecided about the New March Front has risen from 18 to 31 percent in one month. But more than half of the respondents still approve of the New March Front's formation.

In addition to the aforementioned organizations, several youth groups have also been formed recently. Probably the best-known among them is the Association of Democratic Youth or FIDESZ, especially since its recently held congress that has been covered more or less also by the mass media. The demonstrations that FIDESZ organized (or helped to organize) for various causes, and its successful drive to collect signatures for the recall of the deputy who had introduced a motion in the National Assembly to vote on the [Nagymaros] weir in closed session (the required number of signatures was reached just the other day), have obviously enhanced its public recognition. As a result of all this, its public recognition in Budapest, in November and early December respectively, was about the same as that of the MDF: each organization was familiar to 65 percent of the Budapest respondents in November, and to about three-fourths in December. And in the provinces, more respondents (63 percent) had heard of FIDESZ's formation than of the MDF's (58 percent). The proportion (around three-fourths) of the respondents who approve of FIDESZ is high both in Budapest and the provinces, while only a few percent of the respondents disapprove of FIDESZ's formation and operation.

But it is interesting that one organization, the reorganized Hungarian Scouts Federation, has a public-recognition rating even higher than that of the organizations mentioned above, although by only a few percentage points: 79 percent of the Budapest respondents and 67 percent of the provincial ones had heard of the federation's reorganization, and most of them approved of it. Perhaps it will not be an exaggeration to conclude from these figures that many people still remember the Scouts life of old, presumably with fondness.

On the basis of the December public-recognition ratings, then, the Hungarian Scouts Federation, the MDF and FIDESZ head the list, in Budapest and the provinces as well. In Budapest, the Scientific Workers Democratic Trade Union (TDDSZ) ranks fourth (with 64 percent); but if we examine which alternative organization's formation has the highest approval rating, then the first independent trade union heads the list: Four-fifths of the respondents who knew of its formation acknowledged

this fact with unambiguous approval. In terms of public-recognition ratings, the Danube Circle (with 65 percent) trails the TDDSZ, but is ahead of the New March Front.

The Hungarian Public Opinion Research Institute's interviewers asked the respondents also about nine other alternative organizations beside the ones listed above. It will be interesting to examine how these other organizations rank in terms of their public-recognition rating. For the sake of simplicity, we will consider only the Budapest results; the provincial list does not differ by much from the Budapest one. The Bajcsy-Zsilinszky Society (with 46 percent) ranks seventh. Close behind it are the Independent Smallholders Party and the Peter Veres Society. Peculiarly, the Union of Free Democrats comes next (with 38 percent); it split off from the much older Free Initiative Network, which ranks last (15th) with a public-recognition rating of 15 percent. Placed between these two are the following alternative organizations: the Glasnost Club with a 31-percent rating, which does not seem very high as yet; the Alternative Left Union, with 24 percent; and the Ferenc Munnich Society and the Szarszo Front, tied with 19 percent each.

#### People Are Watching

There probably are alternative organizations which have since advanced among the top 15. Possibly the Teachers Democratic Trade Union and one or another of the environmental groups, for instance. But even so it is evident that the public more or less knows of the formation of these groups and is following somehow their operations. But as the answers to another question reveal, it is likewise evident that many of the respondents who know of these organizations' formation are still lacking a knowledge of important facts that would enable them to sort out the alternative organizations, and to understand what pluralism is all about. Thus, among the "informed" respondents, the proportion of those who are unable to decide whether they approve or disapprove of a given group's formation ranges from 14 to 53 percent. The Alternative Left Union and the Ferenc Munnich Society had the highest proportions of undecided respondents: 53 and 46 percent respectively. They also had the highest proportions of disapproving respondents: 16 and 18 percent respectively in Budapest, and 29 and 21 percent respectively in the provinces. Incidentally, the Glasnost Club has advanced to fourth place on the basis of its approval rating (70 percent), after FIDESZ in second place and the Hungarian Scouts Federation in third place (tied with 74 percent each). Another statistic that may be interesting: slightly more than half of the "informed" respondents in the provinces approve of the Free Initiative Network, but 30 percent disapprove of its formation. We do not find such extremes in the ratings of the other organizations.

We could go on with further details, but we must not forget that after a while all this becomes merely a game with numbers. With samples of this size, even the most circumspect sampling may produce distortions. Already

because in the case of the provincial samples, for instance, merely a few dozen answers may cause swings of between 30 and 40 percentage points. This, of course, does not cast doubt on the justification of such questionnaire surveys. After all, they may be suitable to describe the trend, even of socialist pluralism's development.

#### Grosz Regime's Performance Surveyed

25000096a Budapest MAGYAR NEMZET in  
Hungarian 4 Jan 89 p 5

[Interview with Agnes Bokor of the Hungarian Public Opinion Research Institute by Judit Kovacs: "The Grosz Government's Report Card"; at the institute; date of interview not given]

[Text] The government spokesman mentioned that there had been public opinion research regarding the Grosz government's performance. At the Hungarian Public Opinion Research Institute, we interviewed Agnes Bokor about the results of this research.

[MAGYAR NEMZET] To the best of my knowledge, the government headed by Karoly Grosz was the first one in our history interested in knowing how the public rated its performance.

[Bokor] We had been investigating also in the past the public's attitude to individual decisions adopted by the Council of Ministers. But this was the first time that the public's comprehensive rating of a government's entire performance has been investigated, by my colleague, Gabor Gombas, and myself. Investigated continuously, moreover: from the government's program to the prime minister's resignation. Immediately after Karoly Grosz announced his resignation, we conducted a national public-opinion poll. During the 17 months that he was prime minister, the government's rating shifted sharply on two occasions: in early 1988 when the price increases and personal income tax were introduced, and again after the national party conference.

#### Party Members More Tolerant

[MAGYAR NEMZET] What was the response to the Grosz government's economic policies?

[Bokor] The economic liberalization and better assertion of market forces met with approval. The Law on Business Associations and the greater freedom of entrepreneurship that extended also to foreign capital, for instance. We used a 5-point rating scale, similar to the grading system in education [ranging from 5 for excellent, to 1 for unsatisfactory]. Decisions to liberalize the economy received a 4 on average. Ratings higher than 4 came from males, younger respondents, university or college graduates, executives, intellectuals, and white-collar workers who are not university or college graduates. The rating of the austerity measures affecting the population, of personal income tax, the 1988 inflation

and the forint's devaluation, was by no means so favorable. Indeed, these measures were rated "satisfactory" or "unsatisfactory." While university or college graduates and intellectuals gave them a 2, the respondents with 8 years or less of formal education, and unskilled workers leaned toward a 1. Party members were more tolerant than nonmembers, and younger respondents were likewise more understanding than the middle-aged ones. Here I would like to note the following: The contention that it is the young people and intellectuals who are setting the tone of the criticism directed against the government is one-sided. They are not critical in general. They reject references to economic necessity when they feel that it is being used as a pretext. But when they feel that the austerity measures are warranted, they are more understanding and more loyal than other strata. In addition to understanding, the higher incomes of some of the respondents are also a contributing factor, especially among intellectuals. People tend to rate the government's performance primarily on the basis of its economic policies and how they affected the living standard.

[MAGYAR NEMZET] You mentioned that the public rating of the government's performance fluctuated. Our paper wrote repeatedly about the shift from gloom at the beginning of 1988, to nationwide optimism and hope after the national party congress. When did this exaggerated optimism subside?

[Bokor] In June of 1988, three-fourths of the respondents were still expecting an economic recovery; and two-thirds, better living conditions and a higher living standard. These expectations subsided by September. While the economic situation received a rating of 2.2 on average in January and 2.5 in June, in September it was given only a 2. The respondents became even more pessimistic by November, especially in Budapest. There half of the respondents interpreted the recession as a crisis, and 15 percent saw it as bankruptcy. Respondents in the provinces were more inclined to regard the recession as stagnation or a slowdown.

#### No Disappointment

[MAGYAR NEMZET] In other words, the government scored low on its economic policies.

[Bokor] Yes, it did. Even though most respondents knew that the country was in a mess through the fault of the previous leadership, and said so.

[MAGYAR NEMZET] How does the public rate the domestic political changes during the Grosz government's 17 months in office?

[Bokor] Here the expectations following the party conference did not turn into disappointment. The results of our national public-opinion poll conducted in November also show that the citizens approve of the unfolding democracy and pluralism, and broader human rights.

Glasnost and the easing of travel regulations received the highest rating. Although the ratings differed by social strata also here, every group rated these two measures higher than a 4. The [average] ratings were 3.8 for the possibility of forming independent trade unions; 3.7 for the basic principles of the bill on freedom of assembly and association; and 3.5 for the formation of alternative political organizations. Males, younger respondents, university or college graduates, executives and nonpartisans rated the process of introducing political pluralism higher than did respectively the women, elder respondents, persons with eight years or less of formal education, unskilled blue-collar workers, and party members. A majority of the population approved of interpreting the freedom of association liberally, but they felt that its implementation would be acceptable only together with normative rules of behavior that would be binding on the authorities as well as the citizens.

[MAGYAR NEMZET] Let us turn to practice. What is the public's opinion of the alternative organizations?

[Bokor] The public is turning to them with interest and empathy. A majority accepts the possibility of the looser organizations' conversion into political parties. In the national poll we conducted in September, only 37 percent of the respondents felt that the new freedom of association should not authorize the formation of new political parties.

[MAGYAR NEMZET] The government seems to have been successful in its domestic policies.

[Bokor] Yes. Only two events put the government's popularity to a severe test: the miners' strike in Pecs, and the parliamentary debate on completing the Bos [Gabcikovo]-Nagymaros system of weirs. After the miners' strike, passions soon quieted down upon seeing the government's willingness to compromise. But there was no such restoration of calm after the National Assembly voted to continue the weirs project. In many instances it would have been more appropriate to speak of resignation and uncertainty.

[MAGYAR NEMZET] How did the public rate the government's foreign policy?

[Bokor] According to the national poll we conducted in September, the public appreciated very much the improvement in the country's international standing. Regardless of social stratum, education, position and place of residence, everyone rated highly the government's actions in the area of foreign policy. Public opinion is preoccupied mainly with Hungarian-Romanian relations. Regarding the summit meeting in Arad, about three-fourths of the respondents approved of the government's willingness to negotiate, and all respondents favored continuing the dialog. But they were dissatisfied with the summit's concrete results. I am able to say that we encountered a better informed public opinion than we had in the polls conducted in 1987. This



applies also to the government's economic policies and domestic policies, and can be attributed to the better dissemination of information.

#### Confidence in the Successor

[MAGYAR NEMZET] You said that the Grosz government's economic policies detracted from—i.e., lowered—the rating of its overall performance. In spite of the good marks it received for its domestic and foreign policies?

[Bokor] Yes. We asked the respondents to rate also the government's overall performance. The answers already reflect the reservations. In the national poll we conducted in November, we asked the respondents whether they felt that the Grosz government had done everything possible to consolidate the economy. The breakdown of their answers was as follows: 53 percent answered Yes; 31 percent said No; and 16 percent were undecided. The negative answers came mostly from younger respondents, skilled workers and professionals. But the same respondents, except the younger ones, felt that the Grosz government's performance was better than that of its predecessor. A majority of the respondents voted for the outgoing government. But 16 percent felt that its performance was the same as that of the previous state leadership; 17 percent thought its performance worse; and 15 percent were undecided. This division of public opinion stems from the development of personal circumstances and individual living standards. "Everything considered, are you satisfied or dissatisfied with the government's performance?", we asked. The breakdown of the answers was as follows: 14 percent professed to be very satisfied; 47 percent were somewhat satisfied; 27 percent were slightly dissatisfied; 6 percent felt very dissatisfied; and 5 percent were undecided. As can be seen, a majority formed moderate views. Better educated respondents were in a majority among the cooler heads. There were relatively many younger respondents among the dissatisfied, and relatively many elderly respondents among the very dissatisfied. It is interesting to note that public opinion has cast a vote of confidence for the present [Nemeth] government. To the question as to whether the leadership would be able to extricate the country from the present difficult economic situation, 60 percent answered Yes, and 14 percent said No. Here the proportion of undecided respondents was the highest: 26 percent were unable to make up their mind.

[MAGYAR NEMZET] Perhaps because they wanted to avoid forming a hasty judgment.

#### Poll Reveals Serious Deterioration of Public Mood Since 1987

25000096c Budapest MAGYAR HIRLAP in Hungarian  
26 Jan 89 p 5

[Article by Maria Szurkos: "The Public Mood Has Deteriorated"]

[Text] At the end of last year, the Hungarian Public Opinion Research Institute conducted its fourth year-end opinion poll on how the population rated its general

well-being, and on its expectations for the new year. (The sample of 1,000 respondents was representative of the country's adult population in terms of sex, age, education and principal types of settlement.)

In comparison with 1985 and 1986, the population's rating of its well-being declined considerably by the end of 1987. (As you will recall, that was when the introduction of personal income tax and the substantial price increases for the following year were announced.) In November of 1988, however, the population's mood was even gloomier somewhat than in 1987. On a 5-point scale ranging from "very good" [or 5] to "very bad" [or 1], from the end of 1985 to the end of 1988 the indices of the population's well-being developed as follows: 3.19, 3.18, 2.99 and 2.87. (During the four years, the proportion of respondents who rated their well-being as "good" or "very good" dropped from 33 to 16 percent; and the proportion of those who rated their well-being as "bad" or "very bad" rose from 14 to 24 percent. The rest of the respondents rated their well-being as "fair".)

How the population rates its well-being depends on a number of factors. A basic rule seems to be that a person's awareness of broader opportunities affects his sense of well-being favorably. Thus the younger, better educated respondent who earns a higher income usually rates his well-being higher. The events of recent years, and the subjective experience of them, have partially confirmed and partially modified the general trends. Every investigated social stratum's sense of well-being has worsened since 1985. But this is increasingly true of the over-30 respondents (especially of the ones between 30 and 40); of secondary-school, college, or university graduates; and of urban residents and Budapest residents in particular.

There is a strong correlation between a person's sense of well-being, on the one hand, and how he rates the country's economic situation and his own financial prospects, on the other hand. Among the respondents who felt that the country's economic difficulties were here to stay, that higher pay would not compensate at all for the price increases, and that their income bought substantially less than it had a year ago, making it impossible for them to save anything, the proportion who rated their well-being as poor was higher than average. Those who rated their well-being as "poor" or "very poor" were also more inclined to regard the country's political mood as very tense.

In the experience of Western pollsters, the question as to whether the respondents are hopeful or anxious about their prospects in the coming year is able to predict what economic performance in the new year will be like, because the respondents answer this question in accordance with their plans as consumers and investors. Under the conditions of our embryonic market economy, the prognostic importance of this question is not as great; but it may nevertheless indicate what the population's activity, and its propensity to consume, work and



invest, may be like. According to the answers to this question, we must remain not very optimistic in this respect. At the end of 1985 and 1986, 66 and 64 percent of the respondents respectively faced the new year with optimism. The proportion of optimists sank to 31 percent at the end of 1987 and dropped even lower, to 29 percent, at the end of last year.

During the four years, the optimism declined particularly of the university or college graduates, and of the respondents in the 25-35 age group. At the end of last year, the proportion of optimists facing the new year was the highest (40 percent) in the 18-24 age group. How one sees the country's economic prospects influences his optimism far more than his social and demographic situation does. But even among the respondents with the brightest expectations for the economy, the proportion of those who faced the coming year with optimism was lower than the average in 1986. Among the respondents who felt that the country's economic difficulties were temporary and economic growth would accelerate within a year or two, or that there was some acceleration of economic growth already last year, only 45 percent were optimistic about 1989.

#### **Relationship of Economic, Political Reform Analyzed**

25000098a Budapest HETI VILAGGAZDASAG  
in Hungarian 28 Jan 89 p 57

[Review of Laszlo Bruszt's "The Trap of Centralization and Political System Reform Alternatives"]

[Text] "The paper below aims to examine the role which the functioning of our political system, and in general, our existing system of power sharing have played, and continue to play, in bringing about the growing difficulties and crisis phenomena of the past few years," writes the author, a scientific associate at the Hungarian Academy of Science's Institute of Sociology, in the introduction to his article from which we will be citing selected passages.

"What I would like to take issue with, first of all, is the view shared mostly by economists, that the root of the problems facing us is to be sought in the relationship between the state and the economy, and that the primary goal of reform is the replacement of the state's market-simulating activities with (more) genuine market conditions (in either the first, the second or both economies). My intent in this article is to prove that the success of the implementation of 'lasting' reforms, but even simply of certain more comprehensive balance-minded considerations is preconditioned on a fundamental change in the structure of the state itself. In order for the internal relationships of the economy to change, first of all there must be a change in the present system of the division of power, i.e., in the relationship between the state and society. As I see it, the crux of the problem lies not in the market-simulating activities of the state, but in the way the state has 'substituted for,' and simulated the political

role of society. It is this, i.e., the state's policy-simulating function that best explains why the market can only play an intermittent and limited role in the economy; why reform measures introduced from above have been 'short lived;' and in general, why it has been so cumbersome—and under certain conditions even impossible—for more comprehensive views to assert themselves in the various economic processes.

The central question which my article aims to address is how the centralization of power can lead to the trap of centralization; to losing control over the manageability of key economic processes, and in general, to the disastrous atrophy of the 'ability to govern.' It intends to examine how it can lead to a situation in which the center of political power begins to act as a 'prisoner' of the conditions of its own making, placed at the mercy of difficult to comprehend interests and spontaneous processes over which it has little control."

"During the past couple of decades, the state has—even if still only within the perimeters of its own logic—made several attempts, in the form of changes initiated from above, to "free" itself... By way of a series of partial reforms and organizational changes, it has tried repeatedly to break out of the conditions restricting its freedom of movement; the result has been three decades of experiments that could best be characterized as a series of power decentralization, or more precisely, redistribution attempts, the primary goal of which has been to improve the state's integrative performance.

Although compared with the earlier situation the functioning of the state had improved as a result of the building up of 'market substitute' and 'policy substitute' mechanisms, the trap of centralization remained intact. As a result of the 'interest allowance' system, which had evolved on the basis of paternalism, more partial interests have been allowed to impact on the decision making processes than in the past. At the same time, by establishing this system of intermediation, it has "outsmarted" itself on the long run: it was not its power which it ended up institutionally dividing, but its own institutional system. Partial interests, capable of exerting influence, assert themselves in the public eye not within the context of isolated organizations, but within the institutional system of the guidance itself: mediated, selected—divided and pitted against one another—by the ministries, main directorates, regional administrative entities and party apparatuses of various levels. The administrative state apparatus is not the implementor of compromise-based political decisions arrived at without its involvement; instead, it itself is playing 'market substituting' and 'policy substituting' functions—functions that are uncontrollable from below, and confusing from above."

"The practical model of centralization, although significantly changed in terms of its functions, can basically still be described as one that consists of essentially unchanged elements. From the point of view of power

theory, centralization is a system of power wielding, in which strategic decisions connected with certain social and economic processes, and in general, the right to define interests and determine the 'public interest,' are concentrated in a vertically organized political system which is uncontrollable from below."

"Looking at it from below, from the vantage point of society, the greatest problem of an interest allowance and coordination system is its one-sided and uncontrollably selective character. In other words, the fact that in a given period, only a limited number of partial interests and considerations can affect the political decision making processes. This one-sidedness can be explained partially by the fact that the characteristics of 'intermediation' are determined primarily by the interests and considerations of those in direct control, and in part by the fact the opportunities available to the individual spheres, institutions and social groups under control to directly or indirectly ensure that 'allowances' are made for their interests, are very unequal.

While certain groups of the controlled have real opportunities to block the activities of the apparatuses of control (by relying either on their monopolistic economic situation or their mere structural weight, or by virtue of their integral role in the decision making structure), all other groups can hope for in trying to assert their interests and considerations, is the discretion and 'enlightenment' of those in control. The 'price' of interest integration based on a division of power among the apparatuses has been the dissipation of central powers and relative autonomy at the lower levels. For missing from the above outlined system of interest integration are those open forums of policy formulation which could continually offset the one-sided selectivity 'built into' the system of intermediation. What this means is that the state apparatus serves virtually as a direct mediator of raw power relations between society and the economy.

One of the most important consequences of this is that through the repoliticized institutional system of state administration there are very few opportunities for more comprehensive interests, considerations and priorities to assert themselves, and that from time to time, the political leadership finds itself at odds with the apparatuses that had broken away from it having identified themselves with partial interests. At any given time, it is the internal power relations of this from below uncontrollable, and from above incomprehensible vertical bargaining system which determine everything that happens, and consequently, the political leadership constantly finds itself running 'one step behind the events.' Attempts on the part of the leadership to take corrective action, at the same time, have been hindered from the outset by the fact that the apparatus it has used to assert more comprehensive system-integrating considerations, has been the very apparatus that had caused the integration tensions in the first place by virtue of its own operating logic."

"The road to economic reform is also through minimizing the direct political role of the state administration, and thus through changing that administration into a rational bureaucracy. This is conceivable only if the political mechanisms of interest management are created outside of, and separately from the administrative state apparatus. This presupposes:

- the creation of an institutional system of economic democracy, and an interest-coordinating system organized from below, and
- the granting of a central role (at least in deciding the basic questions of economic and social policy) to a policy making forum—i.e., the parliament—which sets the goals for the operation of the economy working within the state, but above the administrative apparatuses. A forum which does this without taking into account the economic situation and structural importance of the individual economic organizations, in other words, simply by ensuring the right of citizens to influence decisions and control their implementation."

## POLAND

### Wiatr Stresses Need for Restructuring at Ideological Conference

26000333 Warsaw *POLITYKA* in Polish  
No 7, 18 Feb 89 p 3

[Article by Jerzy J. Wiatr, professor, Institute of Sociology, University of Warsaw: "Why Are We Constantly Blaming Ourselves?"; first paragraph is *POLITYKA* introduction]

[Text] Text is based on the author's comments delivered on the first day of the plenary discussion at the Third Theoretical-Ideological Congress of the PZPR on 2 February 1989

It is sometimes said that the blame for the present state of affairs in the socialist countries and the parties which guide them lies with the practice in which mistakes and deviations from law were made, and not with theory.

According to this reasoning, everything in the area of theory was perfect, but only the practice, which for one reason or another did not adhere to the canons of theory, was at fault. Hence the prescription for an improvement of the situation is simple: Return to theoretical principles.

Without denying the significance of the mistakes, distortions and even crimes which occurred in the practice of socialist construction, I want to call attention to the responsibility that theory and theoreticians bear for this, because Marxist theory, as it was shaped and presented to successive generations of Marxists, had its effect on many of our problems today.

We see this in the Poland of recent weeks. The rightful resolutions of the PZPR CC Tenth Plenum meet with resistance and even objection by a large number of party members and activists. It appears that this resistance sometimes stems from threatened group interests, not only the interests of the bureaucrats and technocrats, but also the interests of those blue- and white-collar workers who are afraid that reforms weaken their social security, and those union activists who in pluralism see a threat to the political stability which was achieved with great difficulty in the workplaces. Such sources of reservation and resistance are important, but the entire matter cannot be reduced to them. There is also another, an ideological, reason for this state of affairs. For several generations, the party was brought up in a spirit of Marxist-Leninist teaching such that it is difficult to find justification for some of the measures now being undertaken. Therefore, it is not surprising that in addition to the threatened interests, the attachment to specific theoretical dogma, for which the so-called ideological front of the party bears much greater responsibility than do the lapses of a practical nature, also has an effect.

#### A Citizens' Society

I will dwell mainly on the theoretical bases of a policy whose goal it is—as is said so readily today—to rebuild or build a socialist citizens' society. This term is enjoying very wide use in journalism, but mostly without an analysis of theory or an in-depth explanation of what this society is. The party membership is not prepared to accept it, and even less is it prepared to draw any practical conclusions from it. For many years, the term "citizens' society" and the problems which it entails, was removed from official Marxist-Leninist teachings. Except for Antonio Gramsci, none of the great Marxist-Leninist theoreticians used this term, and Gramsci's work—at least during Stalin's life—was regarded with suspicion. And rightly so, because the great Italian Marxist very severely, although in veiled form, criticized the theoretical bases of the Stalinist system of monocentric, absolute authority. The idea that everything should be done by the state he called "statolatry"—worship of the state. In restoring the term "citizens' society" to Marxist thought, Gramsci strived to create a theoretical counterbalance for a totalitarian, all-powerful state, including a socialist state, which is all-protective. It is no wonder that during the Stalinist period Gramsci's work was frowned upon and to this very day has not been fully assimilated into official Marxism-Leninism teaching.

But Gramsci was not the originator of the idea of a citizens' society, nor does he get credit for introducing this concept into Marxism. It was Marx, in a very early period of his creativity, who, in referring to Hegel, used the term citizens' society and, criticizing Hegel, regarded the state itself as a product of a society of citizens. In other words, Marx fully perceived the theoretical meaning inherent in the term "society", which exists independent of the state, and furthermore, regarded the same

itself to be a product of this society. It was not unintentionally that Stalin rejected this terminology with its underlying problems. In the ideological perspective of the Stalinist version of Marxism the state holds sway over society, and society becomes "nationalized."

Hegel also believed, and Marx in no way rejected this, that between the society of citizens and the state there exists a network of "intermediary organs," those political associations, organizations, and "corporations" through which the collective interests are expressed. And the problems connected with this issue had to be abandoned in later interpretations. The idea of a monocratically exercised rule by a communist party, surrounded by a network of mass organizations, whose role was compared to a "transmission belt," was not reconcilable with the concept of autonomous, although functioning within the framework of lawful order, intermediary bodies. In place of a triad composed of a citizens' society, intermediary bodies and the state, the official version of Marxism represented a monocentric system, whose central position is the party which is equipped with the symbols of complete and unquestionable authority. Through the mass organizations it was to integrate society politically, and through its aktiv and apparatus, it was to fully control the state. This theory was presented as the mature form of Marxism-Leninism, while Marx's views, to which I referred, on a citizen's society, were regarded indulgently as an expression of the "immaturity" of the youthful period of his creativity.

Today we reject those elements of political practice which cause the underdevelopment of democracy, the hampering of the initiative of the masses, the inability to express divergent interests and positions. It is sometimes said that we do this under the pressure of tactical needs and necessities, that under the influence of tactics we abandon ideological principles. We should clearly realize the nature of these "principles." They do not ensue from the essence of Marx's theory itself, but rather they are a later insertion, although appearing before Stalinism was able to establish itself as a system of the exercise of absolute authority. Therefore, we are not departing from the assumptions of Marxism—precisely to the contrary, we are returning to the democratic origins which are inherent in Marx's thought.

This applies also to another matter, closely connected with the previous one. Contrary to the views expressed by some critics of Marxism, and also contrary to many vulgarizers of Marxism, Marx in no way rejected the view (coming from Hegel), that the ethical foundation of the state rests on the fact that it constitutes the fullest expression of the sovereignty of the nation. He wrote (in "Contribution to Criticism of the Hegelian Philosophy of Law"), that "In a monarchy, the whole, the nation, is drawn under one of its forms of existence, under a political system; in a democracy, the system itself appears only as one of the determinations, namely the self-determination of a nation. In a monarchy we have a nation of a state political system; in democracy, a



political system of the nation... Here the political system not only in itself, by its essence, but in its existence, in its reality, is constantly reduced to its real basis, to a real person, to a real nation, and established as its own work..."

#### **A Setback for Stalinism, Not a Defeat**

In this version of Marxism, which through several generations was spread as being the most orthodox and most radical, the state was reduced simply to the role of an instrument of class domination, deprived—as least theoretically—of moral justification, which can be found only in the fact that it constitutes the most complete expression of the sovereignty of a nation. A paradoxical and internally contradictory situation arose. The party, as the vanguard of the working class, implementor of socialist transformations, was ethically justified, but not the state, which became only an instrument. This carried with it various damaging consequences. One of them, in particular, should be remembered when we talk about the mistakes of both currents of the Polish workers movement. It is true that mistakes appeared in the socialist current as well as in the communist current and that it would be wrong to omit the one and focus mainly on the other. But it is also true that an erroneous reading of the marxist theory of the state by many theoreticians of the Polish workers movement was very damaging to the position of the communist party in Poland in the period between the wars and had an impact on the political situation of the postwar years. I think that of all of the theoretical mistakes, this is the one that had the most lasting consequences in the awareness of the public, and therefore, in the political situation in which the party functioned. Underestimation of the importance of the state as the highest expression of the nation's sovereignty was responsible for the sectarian mistakes of the between-the-wars period, which is not belied by the fact that on the PPS (Polish Socialist Party) right, other, antithetically-oriented theoretical and ideological mistakes occurred in connection with the underestimation of the class nature of an independent state. Also, in the postwar years, repercussions of the old disputes remained, if only in a simplified interpretation of internationalism, in underestimation, by the dogmatic sectarian wing of the party, of the importance of the national question, attachment to common national traditions, and above all, of the sovereign right to shape a Polish road to socialism conforming with the desires and expectations of the Polish nation. Forty years ago this was expressed in the struggle against the "Polish road" concept, in the acceptance—partially as a result of external influence and partially as a result of internal fervor, of a unified, Stalinist concept of socialism. The year 1956 was an important turning point, a setback, but not yet the final defeat of Stalinism in Poland. Today, under new international conditions and a new domestic situation, in learning from our own experience and that of others, we are making a radical break not only with the practice of Stalinism, but also with its theoretical underpinnings.

#### **Reconstruction Is Not a Whim**

It is occurring by a difficult, complicated process. Of fundamental importance to this process, from the international standpoint, is the fact that the Soviet Union has begun to make deep, democratic transformations. The Soviet reconstruction, the bold criticism of the principles of Stalinism now taking place in the USSR, creates a completely new opportunity for the processes of reconstruction in Poland and other socialist countries. We have not had such an opportunity in the past, including the difficult months of 1980 and 1981.

That is why we should look even more seriously at the processes of transformation in the socialist world. They are occurring unequally. This inequality of transformations is nothing new. It has had its counterparts in the past. It is sometimes said that because of differences in the individual socialist countries, not all of them have to undertake the task of reconstruction and democratization. This is an interesting change in roles. For many years, the theses, advanced by our country and some others, about separate, nationally distinct roads to socialism, were criticized from the position of a dogmatically interpreted Marxism as an expression of departure from the only correct, universal models. Today, and precisely from the advocates of the old, unreformed variant of socialism, we hear the thesis that a democratic reconstruction, although applicable under conditions in the USSR, Poland, and Hungary, here and there does not fit national conditions. It is hard to agree with this. Democratic reconstruction is not the whim of some leadership groups, nor is it an expression of the specificity of this or that country. It is a vital necessity of socialism, without which it will not be able to stimulate the nation to action, to the creation of modern economic and political structures, to the development in a way corresponding to the challenge of the age. We have the right, therefore, to bring up this discussion with the Marxists of other socialist countries, especially because the experience of the past, at least the experience of the delayed destalinization in Czechoslovakia in the 1950's and 1960's, shows what the costs of this type of policy are. They are, in the final accounting, joint costs, borne by the entire socialist community. Therefore, there is a joint responsibility to see to it that this time the processes of rebuilding socialism are not impeded.

I brought up the matter of Stalinism, therefore I want to devote a few comments to it.

It is believed that too often and too long we are "beating our breasts" for the crimes committed during the period of Stalinism. It is said that in this way the party cannot regain the offensive, cannot regain its footing. It is also said, and not without reason, that our criticism of Stalinism is being used by the anticommunist forces to totally discredit socialism. However, we must keep two issues in mind. First: It is true that there is no sense in incessantly repeating the same self-accusations, but at the same time, we must admit the moral and political



justifiability of the demand that the whole, even the most painful, truth be told about the crimes that were committed. In this respect we have recently made an enormous step forward, but there still remain matters which demand a public explanation. Second: The demand that what Stalinism was and is, and what the relationship between Stalinism and socialism is, be explained in a comprehensive theoretical way, has nothing to do with notorious self-accusation. Stalinism is not the inevitable product of socialism, but neither is it something which happened entirely by chance and is only superficially connected with the occurrence of a new formation. It arose out of the particular, dramatic conditions in which this formation was born, and although it was not a historical necessity, it was something more than just the result of the lawlessness of one person or the group of people around him. On this issue, some very serious theoretical analyses and historical studies must be made. We must do this not to satisfy some kind of masochistic interest, but in order to create theoretical and ideological preconditions to fully free contemporary socialism from Stalinist distortions. This, today, is a task of great ideological importance, a task which Marxists cannot leave to any other political currents or the following generations. A new, different, better socialism requires a sound, wise, realism-oriented policy. To no less a degree does it require a theory which would permit it to completely free itself of that which was responsible for the distortions and disillusionments.

## YUGOSLAVIA

### Croatian Intellectuals Speak Out on Recent Events

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[Article by Jasmina Kuzmanovic: "Croatia's Semi-Glasnost"]

[Text] Intellectuals and artists in SR Croatia have not been in the habit of talking about politics for a number of years now. Their gatherings and exchanges of opinion, when they are not strictly professional or artistic, are "representative" in nature, concern themselves with guild matters, and a public discussion about the problems of language is considered the ultimate of politicization.

Part of the answer to the provocative question which has been dragged through the Yugoslav press in recent weeks—why Croatia has been silent—(while at the same time Croatian politicians are being accused in the Federal Assembly of shattering the country's unity), as I said, a part of that answer lies in the argument as to the Croatian stigma, in the view that the Independent State of Croatia is the original sin of the Croatian people and of its intellectuals, and of its subsequent confirmation in the 1971 mass movement.

The topic is extremely sensitive—since no one really intends to deny the horrors of the NDH nor the nationalistic character of the events in 1971. However, recent events bring up a question which many Croatian intellectuals have been posing in recent years, mainly in private: Didn't 1971 and its consequences leave a space covered by enemy fire in which there is no longer any room for creation of a cultural and intellectual climate and in which cultural institutions and the leading intellectuals and writers, instead of assuming the role of a corrective of cultural consciousness, such as Gunter Grass, Heinrich Boll, or Marguerite Duras have in their own countries, have found themselves on the margins, cautious and silent?

### A Crumb of the Political

Precisely that nonexistence of a "cultural public" is one of the reasons why certain problematical and indeed even dangerous things have passed through so easily in Croatia. Croatian writers and intellectuals have kept silent either out of caution or because no one (read: the politicians) listened to them or wanted to hear them. In Serbia, by contrast, for example, the atmosphere has been different: from the beginning of the eighties Serbian writers have been gathering frequently and exchanging opinions at Francuska 7, the address of the Association of Serbian Writers, and it seems that Milan Miric is right when he says that that address cannot be overlooked when we talk about the drafting of Milosevic's program.

It is far from the case, then, that political events in Yugoslavia have in recent years left writers and intellectuals generally off to the side. Yet in the Slovene-Serb-Albanian skirmishes that have taken place in various writers' societies, writers and intellectuals in Croatia have nevertheless remained somehow aloof—their old anxieties could not diminish because of fresh evidence of the need for caution, as soon as a crumb of the political became visible beneath the "pure art" (as demonstrated by the affair of the "poetically pure" or "ethnically pure" delegation of the Croatian Writers Society which visited Ljubljana, which occurred just a year ago).

It is yet to be seen whether last week signified the beginning of a new era in the relations between Croatian politics and the protagonists of Croatian culture; however, it does seem that the metaphor about Croatian silence has been eroded. In the atmosphere of uncertainty and fear on the eve of the 20th Plenum of the LCY [League of Communists of Yugoslavia] Central Committee, the top political leadership of Croatia and Zagreb invited the leading writers and intellectuals to a conversation. Somehow at the same time, two party activists in the artistic field took a position on the state of affairs in the country: the party members of the Croatian Writers Society and of the Croatian Film Workers Society.

It seems to have been typical of all four meetings that they were called in a hurry, ad hoc. The significant thing in that connection is the attitude toward the public: the

meeting in the Central Committee on Tuesday morning to which Mladen Zuvela, member of the Presidium of the Croatian LC Central Committee, invited (even) writers (Jure Kastelan, Marija Peakic-Mikuljan, Zivko Jelacic, Fedja Sehic, Joza Horvat, Milan Miric, Ernest Fiser, Branko Males, and others) was closed to the press. And only certain newspapers were informed about the meeting called last Sunday in the city committee by its chairman Luka Miletic. The ad hoc character of that meeting (probably because of the short interval between the decision and the event) is also illustrated by the fact that cars were sent for the people, sometimes without prior notification, just like in the days following the war. In the haste and organizational chaos involved in the meeting of the party activ of the Croatian Writers Society, only certain newsmen learned of that meeting, mainly by accident.

### The Leading Current

Listening to the communist writers and those who do not belong to the party in the meeting of the Croatian Writers Society and reading the reports from the meeting in the city committee and the telegram which the film workers sent to the Croatian LC Central Committee, one's basic impression is that the lengthy silence was still not broken by a flood of uncontrolled emotions. "It is a question of defending man, not Croatia and Croats," the writer Mirko Bozic said in the city committee, marking that leading current among Croatian intellectuals, which condemns the placement of entire nationalities in the defendant's box and which at the same time opposes homogenization of the Croatian people as an answer to the Yugoslav ethnic crisis.

Velimir Viskovic described three possible models of activity in the present situation during the meeting in the city committee which has been mentioned. The first would be to fund an ethnic program in which homogenization of the Croatian nationality would be put ahead of homogenization of the Serbian nationality. "Many people mean by 'Croatia is silent' that there has been no Croatian ethnic program," Viskovic says. The second model lies in continuation of the status quo, which presupposes the bankrupt concept of politics and the economy. Viskovic sees a third model in which the Big State concept would be opposed by a more modern vision of a European option of socialism and AVNOJ [Anti-Fascist Council of People's Liberation of Yugoslavia] ethnic foundations.

The meeting Tuesday evening in the Croatian Writers Society, however, was restrained and a bit confused at the beginning, continued emotionally, and then one of the key statements made just before the end, the only one which evoked spontaneous applause, was that of Milan Miric, who spoke about the need to create a program which Croatia could offer to Yugoslavia, since "no' cannot be a program." On Sunday, 2 days earlier, Velimir Srica spoke on the city committee about how

much we need a platform for getting out of the crisis that would offer a future to Yugoslav socialism for the 21st century. "And that takes strength," Srica said.

Those who saw the discussion not as preparation for a "great skirmish" (the plenum of the LCY Central Committee) and a triumph in that skirmish, but as a search for a way out of the political and economic crisis, were proclaimed "theoreticians" even by their more emotional colleagues in the city committee.

### Forgotten Arguments

So, it seems that in the overheated atmosphere the only possible reasonable point is precisely that kind of "theorizing" by various people who have been silent up to now or who have not been called on, lawyers, philosophers, writers, economists, who would oppose the irrational anarchy with a creative political and economic program. "To agree to a conversation at the ethnic level means losing in advance," Milan Miric said.

The echo of this line of thought was also heard in other meetings as well as in the communiques which were issued by the Communists of the Croatian Writers Society and the Society of Croatian Film Workers.

The conclusion of many among the "leading Croatian intellectuals" that one should not give way to emotions in the tense situation is having a calming effect to some extent. Thus, a majority of those who attended the meeting of the activ of the Croatian Writers Society, for example, agreed that there should be no specific reaction to Jovan Radulovic's controversial interview, since this would only stir up passions and would not settle anything fundamental. However, other events are unsettling. On Friday, the Serbian Writers Association expressed support for the writer Radulovic.

Some 10 days ago, eight Montenegrin writers and professors led by Jevrem Brkovic requested that they be allowed to join the Croatian PEN. Zdravko Krstanovic, a poet from Split, sent a telegram to the Presidium of the Croatian Writers Society giving notice that he was withdrawing from that organization, reacting to the "war communique," as he called it, of that presidium which was made public after the meeting of the LC activ as a summary of the views expressed at that meeting.

And so the discord is thus deepening once again, then, within our divisions created long ago. It is to be hoped that the decisive word will nevertheless be that of those who argue that things should above all be proven, not just simply condemned.

[Box, p 36]

### Unauthorized Statement of Milan Miric in the Meeting of the LC Activ of the Croatian Writers Society: "No' Cannot Be a Program"

This is now the third meeting in 2 days at which Joza Horvat and I and a few others have participated in a discussion of the same topic. It is most likely that all of

us have already had enough, especially since none of us is a politician and none of us knows how to go from meeting to meeting like a phonograph record and spin out the same topic, feeling, idea, and the same tension. The plenum of the LCY Central Committee, at which something was supposed to be settled, as even Joza said on Sunday in the city committee, was supposed to be tomorrow. But the plenum has been postponed. And things are happening the way they always do—bargaining, trade-offs, understandings, coalitions of this kind and that kind. Nevertheless, one should not be skeptical—perhaps Monday will bring this people at least some future, something brighter than what in recent months they have been accustomed to see, hear, and feel on their own skin from day to day.

Both on Sunday and today I have attempted to differ somewhat from what Joza Horvat, Mirko Bozic, and Josip Barkovic said on Sunday in the city committee.... Somewhat different in tone—since in essence, in the feeling of the problem, in description, I am at the level of what would be the basic tone of those three. Them first of all, and then of certain others as well.

To wit, it seems to me that things are rolling along in such a way that if we remain exclusively at that level of description and emotional rejection, indignation, or, as the young actor Vili Matula put it with exceptional precision ("no more arguing, now it is just a question of our decisively saying no, no, and no")—that then we lose. That "no" is very impressive, and at first it has great charm as a position. But after Matula's statement I was still moved to simply stand in opposition. "No" cannot be a program. "No" is only a concrete reaction to a concrete situation. But what we have to do is to try to constitute what our "yes" is. What is the program of ours in whose name we are attempting to oppose what is today advancing as Serbian Big State nationalism led by Milosevic and the policy of the Serbian LC Central Committee and that the policy of the central committees of the LC in Croatia, Bosnia-Herzegovina, Slovenia, and so on, has not been able to oppose. That is, it is precisely that that has led us into the situation we are in. The program of this country as a governmental community and social community, as a civil and political community—does not exist today. And it should be stated clearly and loudly that the anemic, blind, and mindless policy of the League of Communists of Yugoslavia has brought that about. After all, it is not the truth that this country has been brought to that situation by Croatian, or Serb, or Slovene, or Albanian nationalism. Wherever they have occurred, it was simply a question of a reaction to this society's lack of a program. So, as "thinking people" of a kind, in our own modest conditions—and they are not even so modest, since more and more we are given access to speak in public—let us try to oppose that. At one time, the Serbian writers began to gather at Francuska 7, in the Serbian Writers Association, and do not forget that that is where Milosevic's program was drawn up. So, the Belgrade intellectual forces, nationalistically oriented, oriented toward the Big State, drew it up. And

here, as the Writers Society, we can organize our own exchanges of opinions, we can gather in this place, from the economists and lawyers to the politicians who want to talk to us, artists, and so on—all the people who are able to think and talk about a modern program for Croatia as a social community, which it could then offer to Yugoslavia as well. The one debt which we have as thinking beings, as beings who also have ethnic sentiments, but also as citizens who have a need to cooperate even beyond the ethnic, is that we try to formulate it. If we are unable to do it, then unfortunately I am afraid that we can only be what others are. And I am afraid that then we may even lose that battle, that is, that we would lose even in victory. Since that simply cannot be either our own goal as a nationality, as a people, as human beings, as citizens. Even Milosevic's Yugoslavia is Yugoslavia. But we must say that in that kind of Yugoslavia we are unable to live as human beings. At the moment, everything is possible—from a new form of the Kingdom of Serbs, Croats, and Slovenes to a re-Stalinization of Yugoslavia. That is possible, but—we at least believe—an AVNOJ Yugoslavia is also possible. But today it is not enough to say that we favor an AVNOJ Yugoslavia, since that has been said for 40 years now. We need a program that would say what AVNOJ Yugoslavia is in 1989 and what it would be in the year 2005. If we are unable to do that, then we really are a lost society. And there is no salvation for any of us. But if we have the strength for such a program, then it is worth working on it. Since we are doing this for our children. I do not consent to talk in Milosevic's way about Milosevic and with Milosevic. This is a conversation in which I am lost in advance, and I have no chance to make myself understood.

[Box, p 37]

**Unauthorized Statement of Joza Horvat in the Meeting  
of the LC Activ of the Croatian Writers Society:  
"Negation of a Democratic Process"**

There is one thing that should be our point of departure—the decline of our country's standard of living over many years and the major economic difficulties which are turning us into a backward country. Even the personnel policy which we have conducted contributed to those declines and misfortunes. In such a situation, there was good reason to anticipate that there would be attempts to destroy this country and the party. There are many reasons for the peoples of Yugoslavia to be seeking dismissals, and they are rightly being sought. Everything that is happening is the historical responsibility of the party, and no one will ever be able to take that responsibility away from it. I was in Belgrade a month before the eighth meeting. I received a list of the names of newspapermen who would be dismissed. I did not believe it. Two months later, the clear-out began: in the newspapers, in the editorial offices, the heads of editors of television, POLITIKA were taken off with an incredible force.... This was an advance warning of the whirlwind which will assault our country. And our party



leadership did not find the strength to oppose it. It was then that Milosevic and everything that we mean today when we say his name should have been stopped. Today, our country cannot yield to such methods: neither the party, nor social structures, nor is this a method by which we can make any progress. We have been witnesses to the cruel chucking of people out, out, out—from the highest leadership to the grass roots! And they are being thrown out by the people in the street. We have that same process today in Montenegro, since everything that failed in any way to express its agreement with Milosevic has been destroyed. If the destiny of Yugoslavia is the black-and-white Milosevic conception, then we cannot consent to that. Freedoms have been attained in this country which we consider an integral part of life. Unfortunately, what is now happening is throwing all of that into the mud, nothing exists, the only thing that exists is something called Milosevic, and his conception of Yugoslavia, which is a conception of Yugoslavia based on Serbian predominance and a return to 1918. What he is calling for and what he is pursuing is the demand for a new Yugoslavia based on Serbian dominance. This is a Yugoslavia with a 5-pointed star, but also with a Serbian stamp. It is not just as writers that we must stop here, but also as men and citizens. I am the oldest here, almost 75. I created this Yugoslavia. I remember what it meant to be a Croat in the old Yugoslavia—you did not dare to carry the Croatian flag. I know that society, I know the police in that state based on Serbian dominance. And something else, comrades, I do not mean to brag, but I waged war for 4 years. I did not go to war just so that we could get rid of the occupier, but also to create another community, a new Yugoslavia, that would be based on new and more democratic relations. This thing now is a fundamental negation of that democratic process and it jeopardizes our structure. It is not a matter of indifference what kind of Yugoslavia we will have, since we do not want to go back 60 years. We want still more democracy and freedom than we have managed to get up to now. The progress of the economy, the traffic of ideas, those are the things we want and which will take us forward, not the broom, the street, and threats.

To illustrate the situation, I will mention a passage from a letter which I received after my speech in the city committee: "You have killed your child, you have not deserved to have another, you damned Ustasha," and so on. That is the style, the character, of the people who today want to destroy the country. We have to stand against that kind of atmosphere.

**Koca Popovic Urges Democratic, 'Yugoslav Option' for Kosovo**

28000074c Zagreb DANAS in Serbo-Croatian  
31 Jan 89 pp 25-27

[Interview with Koca Popovic by Aleksandar Nenadovic: "Nationalistic Irritation"; drawn from book "Razgovori s Kocom" [Conversations with Koca], published in 1989; date and place of interview not given: first three paragraphs are DANAS introduction]

[Text] It is perhaps pretentious, but one can guess: Didn't Koca Popovic, the only living legend which Yugoslavia has that has not spent itself and has not

caved in upon itself, decide to break his long years of silence for those same reasons which motivated the son of a bourgeois and young surrealist in far-off prewar France to join the revolutionary movement? "I very quickly concluded," Koca Popovic says, "that the only thing that was still worth attempting was for a man to combat the enemy directly. So, I decided: I will fight, there is nothing else, I am abandoning everything and setting out.(...) There in the dramatic circumstances of that time in France I became a Communist, I committed myself to action on the eve of World War II, perceiving the increasingly obvious penetration of fascism as a challenge to which there was no other response—we had to fight. That is, I saw the danger approaching and I realized that I myself had to oppose it. It no longer made sense for me to scribble some kind of half-comprehensible poetry, I had to set out. In short, it was that prewar situation in France that changed and guided me."

Was it not for the same reasons that the controversial, but still always so consistent, Koca Popovic has now consented to do a book with the Belgrade newspaperman Aleksandar Nenadovic which has just been published under the title "Razgovori s Kocom" by the Globus Publishing House in Zagreb? It was a long wait for the fighter in the Spanish Civil War, the legendary commander of the 1st Proletarian Division, the general, the diplomat, the No 2 man in this state, who obtained for the Yugoslav revolution a reputation of heroism in war and for Yugoslav politics a reputation of decency in peacetime, to break his long silence to which he withdrew after definitively leaving politics in 1972, almost without a word.

Last year, Koca Popovic published a book entitled "Beleske uz ratovanje" [Notes While Waging War], his authentic notes which he kept during the war and in which he did not allow anything to be changed, and from which, as he himself now says, one can suspect something of his "spiritual intractability," which has remained untouched from one time to another, both during the war and afterward, then just as now. Koca Popovic has deposited his diary notes to be published when time has mellowed their possible mercilessness and severity. The book "Razgovori s Kocom" has gone a step further than everything that has so far emerged from the circle of Koca's silence: it is not biography, but it is a view of his career from his present perspective: of how a surrealist found himself among Communists and the son of a bourgeois at the head of the proletarians, about his exploit at Sutjeska which has been suspected and about his return to that place 30 years later when he felt himself rejected, about the end of illusions in 1948 and the betrayed hopes following the Brioni Plenum, about Tito and about how he parted company with him. But however valuable those subsequent self-reflections might be, in this moment of our "systematization of confusion" the most important are still those parts of the book in which Koca Popovic, a man who has not used up his authority, speaks about certain current dilemmas. That is why we are carrying some of his reflections about Kosovo in this issue.



Aleksandar Nenadovic made reference to Koca's assertion that the main obstacle to the transition to democracy is the 1-party monopoly and says that for a long time we have not had one party, but eight. Koca responds:

[Popovic] So much the worse for us. After all, eight such monopolies based on geographic division of government and geographic division of nationalities does not constitute less of an obstacle, but a still greater obstacle to the democratic alternative. Especially since the republic and provincial parties, as the federal institutional linkage (Yugoslav unity) has been watered down more and more and reduced mostly to optional bargaining among the national elites of the republics and provinces, have created their own autocratic machinery. Thus, each of the eight managerial oligarchies has been more or less effectively blocking democratic reforms in the space over which it has sovereign control. The bill had to be paid by the Yugoslav economy; splintered as it was, it lagged further and further behind, even behind those countries which were behind Yugoslavia not so long ago.

[Nenadovic] Nevertheless, don't you think from the standpoint of the overall development of the republics and provinces to date and the new tendencies in them that there are also quite significant differences among them?

[Popovic] There are differences, although I would not be able to say how serious they are. Or, more accurately, how permanent they are. The new tendencies are beyond doubt the most interesting, including certain mandatory changes in the political development of Slovenia, where the space for political democratization has been broadened significantly. Unfortunately, even here there are strong nationalistic, conservative-egoistic, and other retrograde currents and errors.

At this moment (latter half of 1988), it is an open question whether the Slovenian political leadership will want to and will succeed in defending and achieving those democratic aspirations. Especially since the more or less concerted pressure of the conservatives from the other politically more backward communities and power centers, as well as from their own (I am thinking of the pressure which is directed through the Federation, including that pressure which might go through the army, or in its name)—has been making it much easier for the Slovenian right to operate. I am referring here to both variants of heartened conservatism, both that of the party bureaucracy and also of the parish clergy. That right is attempting to turn the agitated, but also concerned Slovenes against the democratic current if not against Yugoslavia as such.

In short, the democratic thrusts in Slovenia have not been small. But it seems to me that at the same time there is a growing danger that those thrusts will be blunted or abused. Should the latter occur, Yugoslavia

—if it is capable of surviving at all—will have still fewer prospects to stabilize as a modern and democratically organized multinational state.

That would be the second setback, this time perhaps fatal, since the one back in the early seventies whose consequences are becoming increasingly clear as time passes. At that time, to recall, the democratic political reform was blocked with a counterstrike from the top, above all in Serbia, but also elsewhere, in the name of saving socialism and Yugoslavia, by scattering the so-called liberals. The circumstances are, of course, somewhat different today, but the essential dilemmas that were fought over at the beginning of the 8th decade are recurring, as I see it, on the soil of Slovenia as well: for or against a modern democratic civilization without which we cannot keep pace with the advanced parts of Europe and the world as a whole.

[Nenadovic] You mentioned the consequences of the change of direction in the early seventies. But today there is no doubt that the drama in Kosovo and concerning it is politically the most grave. As though Yugoslavia itself is shaking to its very foundations as a state community. What in your assessment is the main cause of the aggravation of that conflict?

[Popovic] I find that the basic cause is in the inability to set Yugoslavia up as a modern democratic society. The defense of autocratic monopoly both in the Federation and also in the republics and provinces blocked the only possible way out of the Kosovo crisis: gradual integration of the Albanian inhabitants on our soil into the Yugoslav community as a whole. A condition for that, to be sure, is democratic political-economic development both in Serbia and in Yugoslavia. Since that kind of progress has not taken place or has been frustrated and reduced to marginal changes, nationalism, including the aggressive Albanian irredenta, has imposed itself as the sole political alternative in the name of ethnic identity and self-affirmation. We have thus arrived at incandescent revanchist sentiments of the nationality; instead of creating conditions for faster integration of the Albanian minority into the space represented by the civilization of Yugoslavia as a whole through democratization.

[Nenadovic] You feel, then, that that kind of integration cannot be successful if it is limited to the Republic of Serbia of which the Autonomous Province of Kosovo is an integral part?

[Popovic] Everything that has happened to us so far indicates that that is not possible provided we are referring to the same thing—to an integration which presupposes economic, political, and general conditions of civilization for the true equality of people everywhere in Yugoslavia regardless of the nationality or ethnic group to which they belong.

So that there will be no misunderstanding, I will add that I am not questioning the right of SR [Socialist Republic] Serbia as a state within the Yugoslav Federation, nor the autonomy of the Province of Kosovo. I also do not dispute the obvious fact that from the standpoint of the constitutional position of SR Serbia in the SFRY, there are anomalies in its powers which must be cleared up. A great deal of bad blood has also been built up because it has been intolerably held back for a lengthy period of time.

Nevertheless, with due respect for the constitutional anomalies, the inconsistencies, and the evident necessity for a more determined suppression of the irredentist violence, I remain convinced that the roots of the incendiary Kosovo crisis go considerably deeper. In any case, they cannot be reduced to restrictive and unrealized aspects of the constitution. The crisis cannot be overcome unless the effort takes the entirety of its causes as the point of departure, without acknowledging the realities on which the future of Kosovo in Serbia, but also of Serbia and Kosovo in Yugoslavia depends. And there is probably no dispute over the point that there is no future outside Yugoslavia for either the one or the other. Even if we allowed ourselves to be drawn into a nationalistic showdown (muffled or outright civil wars) that would call even Yugoslavia's integrity into question, Europe and the world, I suppose, would find ways—because of their own interests—of setting us limits beyond which our possible self-destruction could not go.

[Nenadovic] Yes, but how in the meantime to thwart the ever more dangerous exacerbation which is threatening to cause irrepressible disintegration throughout the entire space of Yugoslavia?

[Popovic] I think we will remain in a vicious cycle until we create conditions for real and lasting integration. Serbia cannot be the sole identification of ethnic and political definition for the Albanians in Kosovo. The Yugoslav option has to be open to them.

[Nenadovic] What do you mean by that, more specifically?

[Popovic] I start from the conviction that the exclusive identification with Serbia, should it be imposed unconditionally, would in a sense turn the Albanians into second-class citizens. After all, to put it figuratively, they can be Albanians and Yugoslavs, but they can hardly be Albanians and Serbs.

This latter, if it were imposed by force as the only solution that would satisfy Serbia's legitimacy as a state, would inevitably lead to direct conflict that would involve the actual population of Kosovo. At the same time, I am convinced that in the broad option the Albanian could feel himself to be a Yugoslav and express himself as such and thus oppose nationalism in his own ranks more effectively in the name of the advantages and

rights guaranteed him by the Yugoslav community. Unfortunately, so far that Yugoslav platform has been least accessible to him, if it has been offered to him at all.

[Nenadovic] Wouldn't that kind of integration of the Albanian population into Yugoslavia restrict Serbia with respect to provincial autonomy so that it would play into the hands of those who are demanding a republic in Kosovo?

[Popovic] Relations are the essential thing, not the names. The initial position would have to be democratic, since integration is possible only on that basis. If Yugoslavia as a democratic federation freed itself of the nationalisms which have brought it to the edge of ruin, then the Yugoslav option for the Albanian population in Kosovo ought not to bother anyone, not even Serbia. At the same time, the precondition for that kind of opening up of the Province of Kosovo must be authentic democratization and progress of civilization in that part of Yugoslavia.

In other words, if there existed everywhere the same approach to human and civil rights, if the same legal order were equally binding on all and everyone, then it would be the most normal thing in the world for the Albanian from Kosovo, as a full-fledged citizen of Yugoslavia, to accept and defend that kind of joint multinational state as his own, since only in that state could he realize his economic and social emancipation.

In an oligarchically divided and undemocratic Yugoslavia, he cannot find that kind of place for himself; in it, he is objectively "cast" onto Serbia, driven into a conflict with the Serbs and Serbia, which already perceives the very demographic expansion (which I do not believe to have been "intentional" and "planned") of the Albanian minority as an assault on its historical and other legitimate interests. Thus, instead of reconciliation, tempers get hotter and hotter; there is less and less political wisdom and statesmanship and more and more nationalistic exclusiveness, irredentist fanaticism, and revengeful belligerence.

[Nenadovic] In principle, such an approach seems reasonable, but the trouble seems to be that a nightmare has occurred in which it seems that reasonable people are ceasing to think about the deeper causes. How are we to avoid the traps of a conflict that has been unthinkingly oversimplified? Certainly, you cannot say that everyone who is troubled by the Albanian irredentism is a Serbian nationalist.

[Popovic] Far from it.

[Nenadovic] At the same time, you cannot accept the line of reasoning that has been engendered by the accumulation of powerlessness and desperation, that nothing can be done in Yugoslavia until the situation in Kosovo is "straightened out." That after all is a kind of paralyzing ultimatum.

[Popovic] I agree.

[Nenadovic] How justified in your assessment are the demands of SR Serbia that it be given the same constitutional status as the other republics in the Federation?

[Popovic] I do not doubt that many demands are justified and that the gaps to the disadvantage of SR Serbia, regardless of whether they were unintentionally or maliciously created, will sooner or later have to be corrected. After all, without equality of all the members of the Federation there is no stable Yugoslavia, just as without equality of all the nationalities or citizens both in the "narrow" republic as well as in the provinces, there is no "strong" Serbia, if what we mean by that is a democratic and civilized constitutional entity.

At the same time, I feel a need in this connection to say this as well: It seems to me that in an atmosphere which is far from what one might be able to call ideally democratic there are all kinds of uncontrolled exaggerations and indeed deliberate dramatizations by petty politicians. In the outpourings of righteous anger because of the long years of abuse, the incompetence and the immorality of the (ir)responsible managers, those who are not interested at all in authentic democratic reforms in Serbia and in Yugoslavia, but in taking advantage of hot tempers to consolidate their new autocracy in the name of a "strong" Serbia, are very aggressive.

[Nenadovic] We are talking about Kosovo and the related Yugoslav crisis in a time of stormy large-scale demonstrations in the streets which, it seems, are radically altering the atmosphere, if not the political relations, in Serbia and concerning it. How do you perceive those upheavals?

[Popovic] I think, first, that the great swell which has shaken to their foundations the stale political dogmas and relations are an expression of a deep manifold crisis of our "real socialism" and that it is just as complicated and indeed even contradictory as is the society itself that has been seized by the crisis. There is no doubt that in that kind of political radicalization of the masses a considerable democratic energy is also generated, and perhaps it could at least in part be our salvation.

It remains to be seen whether that energy will be used to displace the dogmatic fetters and to bring Yugoslav society up-to-date. Unfortunately, the tendencies in the opposite direction are very strong. I am thinking here above all of the ever greater tension (concerning Kosovo), which does not lead to anything except a further deterioration of the state of our interethnic relations, which is very pitiable already.

The situation in Kosovo (especially in that context) is extremely disturbing, that is beyond any doubt. I will not enter here into the question of who all the people are in the near and distant past who are to blame for this (there is enough to go around). But I do believe that if a sound

Yugoslav community existed that had some measure of political and economic unity, even the situation in Kosovo would not be the way it is. The existential problems of the entire country—the problems of our life together—are even much deeper and more serious, unfortunately, than those related to Kosovo.

If that kind of advanced and more unified Yugoslavia existed, it would be considerably easier for the Kosovites to seek and find their reliance on Serbia, which is to say within the context of Yugoslavia. The way it is, nationalistic irritation is distracting attention from much deeper "systemic" problems, i.e., from our extremely disturbing political and economic situation (the crisis, or, as some are already calling that state—"agony"). If we all had a better sense of the future than we do now, even the problem of Kosovo would not be so acute and tragic. I think that that is where the emphasis should be placed, not on the pressures.

It was enough to see the pictures on the TV screen. The rallies were charged with outpourings of emotion and utterly unwholesome and threatening euphoria and aggressiveness; such emotions always displace reasonableness. It is not valid here to refer constantly to "the people." After all, there is no doubt that the insidious "mass movement" in Croatia in the seventies was massive, and that is also true of certain other movements and foreign "regimes" in this century which fortunately have been defeated. So, I cannot support those who today would give that kind of guidance to any people.

If because of what I have now said—God forbid!—my name should be "called out" and I should be accused, that would mean that there is no room for normal tolerance, for a free expression of opinions. It is self-evident that I would not even think of denying anyone's right to dispute these assessments of mine (regardless of my long past and "slim" future) if it is backed up with arguments and is free of rabble-rousing and name-calling. But I am convinced that no one—which certainly applies to me, but also to my possible critics—has been proclaimed nor should be proclaimed untouchable and infallible. Every "personality cult," with the unanimity and "monolithism" that goes with it, leads to evil.

[Nenadovic] Will these developments lead us to a situation in which force will have to be used?

[Popovic] I do not know, I hope not (in spite of the magnitude of the danger, with the consequences beyond reckoning). After all, force remains as the sole (last) means only when the ability to reasonably resolve accumulated problems has failed, i.e., when intelligence has drowned.

[Nenadovic] Do you feel that the Serbs and Montenegrins in Kosovo are so threatened that Serbia and Yugoslavia can protect them only by extraordinary measures?

[Popovic] I think that the situation in Kosovo is an objective reality that is very difficult to take control of by normal political means. I am afraid that the leaders who have been dramatizing that situation to serve their own needs, in spite of the declaration of principle favoring a state based on law, would rather like to use force, although they may not be fully aware of it, instead of adopting a democratization which presupposes rejection of nationalisms and all forms of violence.

The aggressiveness of Albanian separatism has truly made the position of the non-Albanian population in that part of Yugoslavia tragically difficult, but no one's justice is going to be satisfied by some possible revengeful violence against the Albanians.

[Nenadovic] One thing you have been noted for is that always, even in the most difficult crises and schisms, you remain staunch in your Yugoslav orientation. That makes your view of Yugoslavia all the more interesting. But since in time even Yugoslavism has become debatable, how do you see Yugoslavia's future today: hasn't its very existence been called into question?

[Popovic] I always associated the future of Yugoslavism with democratic evolution of this heterogeneous community which in spite of immense differences is bound together by common existential interests. I see that kind of democratic Yugoslavism, which presupposed mutual aid and tolerance, as the only alternative to exclusiveness and suicidal nationalistic settlement of accounts. As far as I am concerned, the people and nationalities living in this geopolitical space have no other way of becoming part of present-day European and world civilization.

With that in mind, I remain convinced that only a democratic and Yugoslav approach to the Kosovo drama is politically realistic and has historical promise. That is my point of departure when I say that Albanians in the framework of Serbia and Albanians in the framework of Yugoslavia are for me two different options. In the broader community, in the framework of Yugoslavia, a linkage that displaced nationalisms and the irredenta could become natural and spontaneous: Whatever is nationalistically petty-minded and retrograde becomes less attractive, to say the least. This way, when nationalism is swelling up all around, when, for instance, Serbian nationalism is being accepted and promoted, then Albanian nationalism is inevitably given a new impetus. There is no way out.

[Nenadovic] It seems that it becomes possible to avert a nationalistic showdown only on the assumption that Yugoslavia becomes a truly democratic state based on law.

[Popovic] Yes, but why do you say "on the assumption that Yugoslavia becomes democratic"? It must finally be understood that Yugoslavia cannot even survive unless it is democratically constituted. Until we shed the dogmatic ideology and adopt in all respects democratic rules

of the game that would be binding on everyone, Yugoslavia will remain nationalistically parcelized and economically and politically neglected. Only authentic democratization, which means equality both in rights and in obligations, can create the conditions for a stable legal system. There is no other way, I am convinced of it, that "order can be established" anywhere, and therefore not in Kosovo either.

It is not my place to spell out what kind of changes of all kinds this presupposes, from free elections through the secret ballot to democratic procedures in decisionmaking in competent representative and other bodies. Everything is evaluated according to whether it is democratic and well-intentioned or not, not whether it is Croat, Serb, or Albanian, or I do not know whose, and so on. All disputes are looked at from that angle: Does it restrict the power of exclusive circles, of nationalistic, authoritarian, and every other kind of tutelage and blackmail.

All in all, I start with the conviction that ahead of and above all of our troubles and vacillations, from the ominous economic stagnation to the Kosovo political tragedy, there is a fateful issue of the entire Yugoslav community which has to be resolved if there is to be any permanent stabilization: removal of the 1-party monopoly from top to bottom, emancipation of society and the economy from that antiproduktive manacle that is against civilization and is the reason why our stagnation has turned into virtually a way of life.

[Nenadovic] Do you allow the possibility of achieving democratization of the present party structure?

[Popovic] I doubt that possibility.

[Nenadovic] Why?

[Popovic] Because the party, being the way it is, is hardly able to democratize itself at all. I am afraid that these things are mutually exclusive: so long as the 1-party monopoly of political power is the basis of the social pyramid, the party as the ruling force must be approximately the way it is now.

[Nenadovic] Nevertheless, people are talking more and more frequently about reform of the League of Communists.

[Popovic] It seems to me that the outcome of the promised democratization of the party is prejudiced in the negative direction so long as we are the way we are. And we will remain that way so long as the 1-party monopoly remains in force as supposedly an irreplaceable pillar of domestic and external security.

In such a system, as you know, the enemy, for example, for officeholders in Serbia, is not even so much the counterrevolution in Kosovo as it is the rival in the



struggle for power, which is a tradition taken over from Soviet Stalinism: the main enemy was Bukharin, not some Petlyura from tsarist society; in the end, Bukharin would even be shot because he was an ideological enemy, that is, the most terrible enemy of all....

[Nenadovic] If the 1-party system is not by its nature subject to change, is there any possibility at all, then, of political democracy without several parties?

[Popovic] I would say, first of all, that authentic democratization, by contrast with fictitious or limited democratization, which up to now has been characteristic of all countries and regimes under the control of one party—is not possible without true political pluralism. To be sure, that need not necessarily mean a struggle for power among several parties. But the 1-party monopoly cannot be displaced unless differing opinions can be articulated and advocated on an equal footing.

## HUNGARY

**Joint Venture With U.S. Auditing Firm Initiated**  
*25000098b Budapest HETI VILAGGAZDASAG*  
*in Hungarian 21 Jan 89 p 9*

[Report: "CPA Firm Ernst & Whinney in Hungary"]

[Text] Ernst & Whinney Bonitas Management Consulting and Public Accounting Stock Co. will be the name of the first auditing firm to operate as a joint venture in our country—this was the subject of the declaration of intent recently signed by the representative of the two firms. (Auditors are outside experts who upon the request of a given firm examine the data of its books and accounts in order to provide a true picture of the enterprise's financial situation.) To form the stock company, the multinational firm of Ernst & Whinney (E & W) will bring 18 million forints worth of hard currency into the already existing, and 18 million forint strong Bonitas business management consulting firm, thereby becoming 50 percent share holder in the joint enterprise thus formed.

Ernst & Whinney is one of the world's largest firms of this kind, with more than 450 offices in 80 countries around the world, employing 35,000 people. The firm's main line of business is auditing, and they also offer management consulting services. In Hungary, they were first commissioned last year by the Hungarian National Bank to come up with a concept of a domestic interbank accounts transfer center.

The purpose of the new partnership is to provide accounting, organization and management related services to both domestic and foreign firms, using the extensive know-how of E & W. In order to make this happen, initially the company will also be relying on foreign experts to help manage its operation. The new firm will be a part of E & W's international network, and will assist in providing necessary information to foreign firms wishing to invest in Hungary (e.g., property assessment, financial comparisons, etc.), we were told by Mate Borban, managing director of the Bonitas Co. Bonitas, incidentally, was founded in 1987, by 5 domestic banks and 1 promoting firm; last year, it conducted 27 million forints worth of business.

We have information that the Hungarian Foreign Trade Bank and the Budapest Bank are also planning to form a joint accounting and consulting firm with another multinational company, Price Waterhouse. The agency will operate in the form of a limited partnership, with 50 million forints in capital assets, 80 percent of which will be held by Price Waterhouse.

In Hungary, the new partnership law has made it mandatory for all stock companies to hire an accountant, but compared with the projected needs the country does not have enough trained auditors; in the past few decades,

this kind of activity has been relegated to the background. Today there is once again a great need for the establishment of this type of an economic infrastructure, in which the experiences of international firms can be of valuable assistance.

### **Bureaucratic Obstacles to Joint Ventures Described**

*25000104b Budapest NEPSZAVA in Hungarian*  
*23 Jan 89 p 4*

[Istvan Csik's interview with Bela Balas, managing director of Qualiastic Ltd.: "Obstacles to Modernity: Is Operating Capital Operating?"; date and place not given]

[Text] Qualiastic Ltd. was chronologically the ninth multinational firm founded in Hungary, but it is "tied" for first place among manufacturing companies. Only a photo finish could determine if first place belonged to Qualiastic or B+Z, established at the same time. Started with American and Hungarian money, the firm begun its independent life on 1 December 1982, with start-up capital of 80 million [forints], and during its first full year of existence the value of its production was the same amount. Currently, its capital is 140 million, the value of its production is 249 million, and preliminary calculations indicate that during 1988 its proportionate profits were 18 percent.

Nowadays when there is so much talk, not only in the press and in official negotiations but also in conversations among friends, about the problems of attracting foreign capital, it might be worthwhile to listen to the managing director of Qualiastic Ltd., Bela Balas, and find out what his opinion is on this issue?

[Balas] Our firm was a pioneer in the sense that, in many regards, we established precedents for enterprises following in our tracks.

### **What Takes a Long Time**

[NEPSZAVA] When people talk about the reasons why foreign capital is not attracted to Hungary, they frequently refer to the slowness of issuing permits and bureaucratic formalities.

[Balas] Let us look at the facts! When the collaborating partners first entertained the idea of establishing our company, the process of issuing permits was still done in three stages. People who initiate the founding of a company now have to go through only two sets of procedures: They have to announce the substantive negotiations which, as we all know, only requires about half an hour to write a letter; and they have to wait six months, at the most, to receive their permit to found a company.

[NEPSZAVA] If things are this simple, how come that, in most cases, matters proceed much slower? We hear people talking about months, even years of waiting.

[Balas] The Hungarian "method," the inaccuracies, missing details, unclear and poorly defined concepts, that is, the lack of thorough preparation, may indeed lengthen the process, so that it will take much longer than it would if the work were to be done in a simple conscientious manner. Of course, it is easier to tell the foreign partner that responsibility lies with the state administration (which does not have a good reputation, to begin with) instead of admitting that the preparation was superficial.

[NEPSZAVA] Obtaining the permit is not everything. How long did it take for the firm to start manufacturing?

[Balas] We received the papers in April; we were registered in November and startup took place on the first of December. The whole thing took a little more than six months.

#### Catch-22

[NEPSZAVA] That was all?

[Balas] Look, if one wants to travel, but only starts thinking about the circumstances of the trip when he has the passport in his hands, he will probably never leave home. One must think ahead. I'll give you a few examples: Manufacturing requires raw material, and it has to be imported. Import permits are issued only to firms that are already operating. Our biggest Hungarian partner, the Pest County Synthetic Material Trust, could obtain and import such material in time to establish the firm, and make it available to us either as contributed capital goods or through a simple business transaction. Another example: In order to be registered, a firm must have a seal, but in Hungary that can only be ordered using a seal. Catch-22, is not it? To return to the procedure of issuing permits, I feel that it is a necessary evil, but it is not as much evil as it is necessary.

[NEPSZAVA] What do you mean by that?

[Balas] For the foreign partner, a permit means a banking guarantee, and also permits him to take his capital or his earnings out of the country. Since the state grants these privileges, it should be entitled to examine, what is it that it guarantees.

[NEPSZAVA] If it is not the procedure of obtaining permits that is lengthy and complicated, then what is it that keeps out foreign operating capital?

[Balas] That gives us something to think about. A multinational firm operating in Hungary is not operating in a vacuum. It is part of Hungarian reality. For one thing, the capitalist may think twice, seeing the continuing

devaluation of the forint. Let us think about this: Someone who brought one million dollars into this country when it was worth 36 million forints, would receive only 700,000 dollars if he wanted to withdraw his money now.

That is not an attractive prospect; especially if we consider that in certain countries enterprise property must always be defined in the national currency. Thus, as a result of devaluation, even substantially profitable companies appear to lose money. It is also difficult to explain to an American businessman the reasons why we do not have enough telephone lines or telex equipment, even though we have both the money and the technology for them. Indeed, what we usually refer to as infrastructure appears shocking at times. At the same time, investors tend to think twice and lose their interest when they see the small inconveniences we no longer even notice.

#### The Road to Calvary of a Gift Machine

[NEPSZAVA] For example?

[Balas] For example, last year was the first time since our start that our American "owner" decided to take some money out of the enterprise. He did not do this with the intention of spending it; on the contrary, he wanted to use it for investment purposes. However, we received neither import permit nor hard currency with which to buy new machinery. We were forced to choose the solution, according to which our capitalist partner would remove his profits from the country, in hard currency, and after enough money was accumulated in that manner, he would bring in the machines thus purchased as contributory capital equipment, since he is entitled to upgrade the start-up capital. An American finds it difficult to understand something like this. The story of our computers was similar. Our American partner understood relatively easily that in Hungary the purchasing of computers is quite restricted, and that we cannot purchase what and from what source we wish. In view of that, he sent us, as a gift, a computer that would have enabled us to reorganize the management of our firm. He never comprehended the struggle we had to go through before the computer was put into operation. I emphasize, he sent the machine as a gift, to his own company!

[NEPSZAVA] How long did the struggle take?

[Balas] Longer than it took to obtain the permit for the forming and establishment of the company.

#### Accelerated Amortization To Encourage Investment Decreed

25000098c Budapest HETI VILAGGAZDASAG  
in Hungarian 21 Jan 89 p 8

[Report: "Decree on Accelerated Amortization"]

[Text] Enterprises of the machine and food industries, and the users of advanced electronic equipment and robots will benefit primarily from a new decree on the



possibility of accelerated amortization which had first been published in the 66/1988 issue of *MAGYAR KOZLONY*, and went into effect this year. According to the decree, the organizations and other users of equipment operating within the spheres of activities listed in the addendum to the statutory provision, can apply higher norms than those allowed by the amortization formulas listed in the supplements to the business profit tax law; this will allow them to write off their capital equipment within a lesser time, and also to raise the funds necessary to purchase new ones more quickly. (The centrally prescribed amortization norms regulate the process whereby the depreciation of machinery over time is amortized against enterprise expenditures; the quicker a piece of machinery can be "written off" by the enterprise, the sooner it can generate resources—without having to tap profits—for technical development, for example.)

The amortization rates may, depending on the type of activity, be as much as 20 percent higher than those generally applied, while in terms of product-based classification the maximum rate may be as high as 20 percent a year. According to expert estimates, the measure—which in terms of its impact could be described as a tax break—will increase the investment resources of our domestic business organizations by 2.5-3 billion forints in 1989. With this the authors of the decree wish to expand the financial basis of the technological modernization of industry. According to calculations, for Hungarian industry it takes an average of 15 years to write off machinery, in contrast with the firms of the developed capitalist countries where the typical amortization period is 6 to 7 years. As it was announced by the Ministry of Finance, the Hungarian amortization system is scheduled to undergo a complete overhaul later this year.

#### **Factory Experiment With Free Enterprise Reported**

25000141b Budapest NEPSZAVA in Hungarian  
17 Feb 89 p 4

[Article by Pal Molnar: "Debrecen Joint Enterprise: Free Competition in Factory Corner"]

[Text] The new system was introduced in one corner of the factory. Paid for with West German money, they imported Japanese machinery. They established a special organization with select workers. The number of managers is at a minimum, while incentives, responsibility and work are at a maximum. Super machines, professional workers, extra efficiency. All this takes place not on the Moon, but in Hungary. In Debrecen, within the plants of the Hungarian Ball Bearing Works [MGM]. The name of the enterprise: German-Hungarian Bearing Technology Limited Liability Corporation (NMC).

Managing director Jozsef Kis insists that I state that the cage presser plant was part of the facility which was transformed for purposes of the NMC. The place where

not too long ago some huge machine monsters made clicking noises, will hereafter accommodate the most precise, electronically guided lathe machinery. Should we point out that somehow it is in this way that the oft mentioned structural change is perceived at the Planning Office?

Yet this change did not require planning, nor was there a high flung program put together by a large apparatus. Market incentive was needed, as well as confidence which evolved in the course of prolonged cooperation.

#### **Not a Single Penny of Foreign Exchange**

"Our relationship with 'INA Schaeffler Walslager OHG Homburg' [as published] reaches back 12 years," according to Kis. "Since there is a great boom in bearings, our president initiated the establishment of a joint enterprise in 1987. Last March we reached the stage where we could order the machines and could plan the buildings. It is important that this new plant did not cost the Hungarian economy a single penny in foreign exchange!"

As revealed by the director, the 86.5 million forint founding capital was put together on a 50-50 basis by the German and the Hungarian entrepreneurs. The Japanese machinery constitutes the German party's contribution, the buildings—next to the main workshop a descaling mill—were contributed by the Hungarian party. The cash contribution was deposited in forints at the Debrecen Post Bank. (The Homburg [as published] party made its deposit at the Budapest CIB.)

Deep groove sealed radial ball bearings are being lathed here to the finished stage. The bearings are then processed by the Far Eastern machinery. These pieces may be used with any bearings. Half of the manufacturing capacity is committed to satisfy the German party's order, the other half belongs to MGM. The machines are being used in three shifts, up to 90 percent of their capacity.

Production will begin within weeks. At present select skilled workers are arranging the machinery.

[NEPSZAVA] Were you upset because you were assigned to perform this task?

"To the contrary!" Andras Suto responds. He is skilled in hydraulics installations. "Everyone wanted to work here as soon as they learned that a West German-Hungarian limited liability corporation [kft] will operate with Japanese machinery. People were interested in the technology. And the money. In those days rumors had it that the basic wage would increase by 50 percent. Since then we learned that the real multiplier is only 1.25 or 1.30. And I would add that we will not be overpaid at all for the work performed."

Andras Suto's (age 42) person well reflects the selection criteria. According to his basic skills he is a miller operator and a planer. In addition he completed a machine technology course.

Sandor Varga (age 35) has two skills: He is a lathe operator and a miller operator. He refused to become a foreman in order to join the kft.

"At this place we will perform both the skilled and the unskilled labor," young Varga lets us in on details. He is the winner of several competitions within his skills. "We do everything starting from the installation of the instruments to the disposal of chippings. Almost none of us is used to three shifts! This is why I believe that we will not be overpaid at all!"

### Lucky Number 13

Insofar as pay is concerned, Andras Suto was able to compare in Japan what workers operating identical machinery earn. He learned how to operate these machines during a two week stay in Osaka. As he recalls, workers there earn 300,000-500,000 yens per month. One kilogram of apples costs 400 yens, a pair of shoes 18,000-36,000 yens. One can count these things, as a matter of comparison....

[NEPSZAVA] Considering our circumstances, will you be able to produce by Western standards?

"I am confident that we can," an optimistic deputy president Andras Demak says. "A production line like this would be a novelty even in Western Europe. It will be operated by some of our outstanding workers. And we will be more flexible, not as rigid as some large enterprises!"

Insofar as rigidity is concerned, the people at the kft were already confronted with rigidity in some unexpected situations.

Suto relates his experience: "Whenever they learn in one or another office that we will be working here, in that moment ... well, how should I say this? In other words they become overly official, everything is handled with difficulty."

[NEPSZAVA] Do you mean to say that already at this point they are envious?

The worker [Suto] does not like this word. He shrugs his should, but in the end agrees:

"Perhaps."

One should add here: "no wonder." The NMC is sowing the seeds of a new work culture here. Consider this: 13 persons will produce a volume and quality which on the other side of the street could be produced only by a substantially larger number of people. True, they would

do so on more shabby machines. Yet: the fact that in each shift only four people will be seen in the huge hall, four people who handle everything from the installation of machines to barrowing—well one can't just pass by without saying a few words. Unavoidably, an operation like this will have an effect on other areas too! And the consequences will not be pleasant for everyone....

### Are They Less Protected?

"As planned, profits will amount to 21 million to 28 million forints," Kis projects. "For this kind of money we will produce 3.6 million bearings of 25 different types."

"Profits will be increased by virtue of the fact that there will be no personnel to help, people we would have to support," according to Sandor Varga who points out the thus far neglected economic relationship.

[NEPSZAVA] Don't you feel less protected as a result of this?

Miller and lathe operator Zoltan Peterszegi (age 35) reports on the information he received: "Thus far people have been saying that an economical, good production system must be established, in which it is clear to everyone what his job is and what his accomplishments are. They would feel good in such an environment!"

There are indications that soon some more people will feel good. Although the kft has not even begun to produce, the organizers are already working on expanding the capacity. By using existing buildings, only 20 million forints would be needed to increase production capacity by 50 percent. The way people in Debrecen understand the situation: there is a long-term demand for these products.

### Reactions to Price Increases Described

#### Work Stoppages

25000103a Budapest NEPSZAVA in Hungarian  
10 Jan 89 pp 1, 4

[Unattributed report: "Monday's Price Hikes Deemed Outrageous—10-Minute Work Stoppages in Szabolcs Suffering Multiple Disadvantages—Call for Wage Increases by Gutenberg Trade Union Federation—Budget, Wage, Sociopolitical Reform Urged in Congrad"]

[Text] On Monday, 10-minute work stoppages were held in several Szabolcs-Szatmar County factories in protest against the new round of price increases. As it was pointed out everywhere, the growing burdens have had a particularly detrimental impact on the people living here, in view of the fact that in terms of central fund allocations the county has consistently ranked between 17th and 19th on the priority scale over the past 20-30 years. The impact of this lag can be felt in all areas of life. The only reason why some Szabolcs-Szatmar County

factories did not join in the demonstration was because fearing damage to their prestige, certain plant managers and trade union leaders did not inform their workers of the content of the SZMT [County Trade Union Council] 's letter.

At plant No. 2 of the Driving Mechanism and Painting Equipment Manufacturing Enterprise [HAFE] of Nyiregyhaza, however, the workers had already made it clear on Friday: "We will protest, even if they dock us an hour's pay for the 10 minutes." The attention-demanding and help-seeking work stoppages, however, lasted for only 10 minutes. This was what Andras Kelemen, a 38 year old fitter said after the demonstration:

"HAFE has four factories in the country. When it comes to wages, our plant always ranks number 4. Even when we were among the top producers, our pay envelopes were the thinnest. The price increases just dumped on us has hurt us terribly; our burdens here have become practically unbearable. After 20 years of work here I am making 40 forints per hour. While people with the same qualifications are getting at least 50 forints in Budapest. My wife, who works in the state retail industry, makes 4,000 forints a month. We have 2 children whose education costs 1,500 forints per month, and we are paying 3,500 forints a month for the apartment we have just received a month and a half ago. My wife's pay was already insufficient to cover our basic expenses. I cannot work overtime, nor would I want to because of the messed up income tax system. At the same time, I have no idea how we will be able to furnish our new home. It breaks my heart not knowing what the future holds for my 2 children. I am willing to work more and better, but it should not be the worker, the small wage earner, who should suffer the consequences of incorrect decisions made at the top."

And this is how another fitter of HAFE's Nyiregyhaza plant lamented:

"I have 3 young children. One loaf of bread for the five of us does not suffice. If they only had not raised the prices of the most important food items, the cost of "life." I have been working at this factory for the past 25 years, and my pay is still under 7,000 forints. My wife is also employed here for 4,000 forints a month. The money the two of us make only covers our food and housing expenses. What will our children get from us? How will they be able to begin an independent life? There may not even be a job for them in this county. Because of our geographic location, the increase in transportation costs has also been a serious blow to us, for we are situated at a great distance from Budapest, Lake Balaton and everywhere. Even given the difficult situation our country is in, there are central resources to be allocated; the time has come for our county to receive a greater share of those allocations."

Janos Hajdu, a young auto body mechanic at a repair shop of the Nyiregyhaza Public Roads Construction Enterprise of the Ministry of Transportation and Postal Affairs, spoke with apathy and a sense of resignation:

"We entry-level journeymen are held in especially low esteem. My pay is barely over 4,000 forints, and I have no opportunities to moonlight. I am commuting daily by train from Tiszaok, which is located about 35 kilometers from here. The train pass and my meal ticket alone eat up more than half of my pay. I would like to dress in style, go out, and I cannot even dream of saving up enough for an apartment. My parents also live under difficult conditions, still when I get married I will have to live with them. A nice apartment of my own, a few kids, my own car, vacations—these all seem unattainable to me. I am still a young worker. I hope that under a more capable leadership we will, in a few years, be able to put our troubles behind us, so that once again it will be worth being a worker even here in Szabolcs."

The mood of Szabolcs-Szatmar County's 245,000 workers has been gradually deteriorating for the past few months. For some time now, the county's 315 basic trade union organizations have been reporting about this alarming deterioration to the SZMT. Last week, the branch and vocational secretaries were warning daily that the impending introduction of price hikes would further aggravate the workers' discontent. The protests had become so intense that none of the assurances and explanations had any effect. This was what had prompted Thursday's SZMT meeting at which the top officials of the Szabolcs-Szatmar County Committee of the Trade Unions and the branch and vocational secretaries discussed strategies for representing the views of the organized workers regarding the price increases. There was no question even for a single moment that the fear and protest of the workers of Szabolcs-Szatmar County would have to be voiced, in view of the fact that the feeling of despair in this part of our country was "multiply" justified.

Being in a multiply disadvantageous situation is also a measure of poverty. For years now, the statistics have spoken more clearly than the people citing them. For these statistics are impossible to gloss over, and they show no mercy. The average wage in the county, for example, stands at 4,814 forints. Twenty percent of the active earners make less than 4,000 forints per month. And while countrywide there are 6.6 jobs for every job seeker, in Szabolcs that figure is only 0.6. Thirty thousand people are commuting regularly here to various distant parts of the county. Every year, some 1,300-1,500 young people leave the county because they are unable to find employment, and because they cannot make ends meet in their respective home communities. Compared with the national average, real wages here have declined threefold over the past 15 years.

So this is today's Szabolcs where at Thursday's SZMT meeting a letter of protest was drafted, demurring against the extent of the planned and already announced



price increases. This was the letter that was sent to both the Council of Ministers and the SZOT [National Council of Trade Unions]. The letter was published in its entirety in Saturday's issue of the county daily KELET-MAGYARORSZAG, and was distributed countywide on Monday during the 10-to-15-minute-long work stoppages.

"The warning work stoppage was the result of the initiatives of several of our basic organizations," said SZMT secretary Sandor Marik on Monday. "We supported the initiative, however, we did make it clear that participation was not mandatory, and that each work place had to decide for itself whether or not it wanted to join in the demonstrations. I have to tell you that some of the managers and party secretaries did not agree with either the written protest, nor the demonstrations. So much so, that by Friday afternoon the many conflicting signals received had led to some reservations among the basic organizations. In spite of this, 80 percent of the county's work places joined the protest in some form. As we have learned from the vocational secretaries, in some places the work stoppages occurred early morning, while at other places they were held at 9, 10 or 11 o'clock. We have already received a great many letters with workers' signatures. We have even got some from the Mateszalka plant of the Hungarian Optical Factory. Here, incidentally, they had decided that the director, who was also a parliamentary deputy, would personally take a copy of the letter to the parliament. The workers at the Aurora Shoe Factory have signalled that their own letter of protest would be ready by tomorrow. The worker collective of the Alkaloida Enterprise of Tiszavasár have also promised to contact us and the SZOT with a letter of their own."

[NEPSZAVA] Who did not join?

[Marik] The retailers, for example. For they were too busy assessing the impact of the pricing changes. Naturally, the school teachers also did not stop teaching, nor did the food industry workers. I might add that we had also told everyone, and made it clear in our letter, that the 10-minute work stoppage as a means of protest should only be resorted to in those places where it would not lead to irreplaceable production losses, where the stoppage would not cause irreparable damage, and so on. Incidentally, our letter had been received with approval even by many who did not participate in the protest demonstrations. Naturally, this Monday was not the end of the protest. For it is quite possible that we will be receiving more letters on Tuesday and Wednesday.

[NEPSZAVA] What does the SZMT expect will result from this action?

[Marik] Let me quote from the letter we have sent to the government and the SZOT. "Our aim, first of all, is to direct greater attention than before to our county and to the citizens who live here. Secondly, we wish to assure the SZOT leadership that in the course of its battles and

debates in support of a genuine anti-inflation policy it can count on the backing of its membership, the organized workers of our county." Speaking for myself, I can tell you that upon seeing the new price schedule on the TV program "Het" [The Week], I was convinced that we were right in moving to lead the protest against the price increases.

### Reforms Demanded in Csongrad

25000103a Budapest NEPSZAVA in Hungarian  
10 Jan 89 p 4

[Article by (faggyas-nabradi-szabo): "Budgetary, Wage, and Sociopolitical Reforms Urged in Csongrad"]

[Text] Conveying the sentiments of the county's organized workers, and joined by its midlevel trade organizations, the Presidium of the Csongrad County Council of the Trade Unions has sent a letter to Prime Minister Miklos Nemeth in protest of the price increases. As the letter points out, the price hikes affect a large group of basic daily consumer goods and services for which there are no substitutes, and which cannot be defended. The 500 to 1,500 forint (or 800 forint average) increase in per capita expenditures, as acknowledged by the government, is a threat to the very existence and security of most wage earners. Also very difficult will be the situation of young people awaiting housing, the lot of the pensioners, and even of families with 2 children. The situation of Csongrad county residents will deteriorate even more dramatically than average since wages, social insurance payments and pensions here have lagged significantly behind the national average.

It has also been brought to the government's attention that the workers are distrustful of the validity of the released figures showing the extent of the price hike, and question the claim that the current action will only result in a 5.5-to-6-percent overall increase.

The offsetting effect of the corresponding sociopolitical measures is insufficient, and measured by egalitarian standards also extremely unfair. Also unacceptable is the continuing growth, in the wake of these measures, of the number of people requiring social assistance. The significant—and generally speaking exceptionally drastic—and constant price increases of the past several years can only lead one to conclude that of the many expectations connected with the reform process, so far, for the most part, only the withdrawals have been realized. At the same time, the assumption of growing burdens has not yielded the necessary results in the economy, hence it appears to be fruitless.

In order for the government to be able to expect patience and helpful cooperation on the part of the workers in the future, those workers will have to be able to go to work with the hope that they can ensure their families' livelihood, and to see the beginnings of noticeable and positive changes in the economy, supported by effective and reform-quality governmental measures.

In conclusion, the SZMT's letter also calls for a regional impact analysis of the effects of the price increases, a close-gap program to be aimed at eliminating disadvantageous conditions, and the earliest possible introduction of budgetary, wage and social-policy reforms.

### **Securities Market Regulations, Oversight Analyzed**

25000119 Budapest FIGYELO in Hungarian  
26 Jan, 2, 9, 16 Feb 89

[Article by Lajos Bokros: "The Regulation and Oversight of the Securities Market"]

[26 Jan p 15]

[Text] The significant, 4 percent average increase in interest rates payable on individual deposits in June 1988 created a new situation in the marketplace of individual means of savings. The earnings disadvantage of short term deposits has ceased to exist, moreover it has become more favorable as compared to the current earnings on nonpremium bonds, as calculated on the basis of current face value. As a result of all this the market of fixed interest rate individual bonds was shaken, and price levels declined slowly but continuously.

The high level of inflation (and inflationary expectations) layed the groundwork for the expansion and the subsequent contraction of the market, and significantly accelerated the appearance of new, more attractive forms of financial savings (e.g. treasury notes, deposit certificates).

The situation is aggravated by the fact that the activities of financial institutions related to the issuance of securities has not decreased at the same rate as the slowing down of individual savings increased. Tax free bonds guaranteed by the state which pay a relatively low interest may be exchanged for more favorable forms of savings only at great loss. On top, only some of the banks engage in secondary market activities; until recently at least, most banks were not even willing to repurchase the bond issues they managed.

The four (six) financial institutions substantially interested in bond sales to individuals—the Hungarian Credit Bank [MHB] (Investment and Sales Subsidiary Bank [BFLB]), the National Commercial and Credit Bank [OKHB] (Mercantil), the Budapest Bank [BB], and the National Savings Bank [OTP]—agreed late May to reconcile the median price levels of outstanding bonds held by individuals on a weekly basis, and that individual banks will not deviate from the established median price levels in either direction by more than one half of one percent.

Although the measure intended to preserve price levels produced some partial success, it was unable to resolve the fundamental problem. Doubtless, it produced the

advantage of placing an obstacle in the way of (delaying) the collapse of the individual bond market by stabilizing price levels at an artificially high level, as compared to demand. At the same time the measure paved the way to new tensions and disproportions.

Since the agreement on price levels took effect, the focal point of secondary market activities has shifted even further in the direction of the BB. (At year's end, 1988 the BB held 2.3 billion forints worth of bonds repurchased from individuals. OTP held bonds valued between 800 and 900 million forints, while the bonds held by the Investment Bank amounted to a mere 70 million to 80 million forints. OKHB does not hold repurchased bonds even of its own issue.)

The proportions of the initial issue did not warrant this process. The extreme concentration of old bonds issued to individuals is a result of different attitudes in business policy adopted by the various banks. For example, the BB's and the Investment Bank's business philosophies are noticeably different. Until the end of last year the BB showed an inclination to accept losses in the interest of maintaining investor confidence. For this reason it was continuously prepared to buy back a full selection of bonds at artificially high prices as compared to the balanced price. In contrast, the Investment Bank consistently advocated the formulation of balanced prices which would purge the market. The cartel did not permit this approach to prevail. As a result the Investment Bank established redemption price levels below the redemption price paid by the BB for bonds of its own issue which it would have been willing to repurchase in principle. This stimulated Investment Bank clients not to sell their securities to the Investment Bank.

During the fall of 1988 it became apparent, however, that at least in its original form, the agreement intended to protect price levels cannot be sustained for long. The agreement led conflicting business interests into a dead-end street, which, in the final analysis would have caused losses to all parties concerned. (Continuing with the previous example: At the BB the unsold inventory of bonds which could be refinanced only through special central bank credit, acquired huge proportions, and the Investment Bank was essentially squeezed out of the market.) Accordingly, the agreement had to be changed, because it no longer served the interest of any dominant actor in the securities market.

The very fact that a new securities trading agreement (i.e. not an agreement concerning some kind of reconciliation of price levels) has come about, definitely calls attention to the fact that the unregulated condition which prevailed prior to the May 1988 agreement cannot be restored, and that such restoration would be undesirable. And the fact that there was a need for a gentlemen's agreement concerning the basic rules of trading reflects the fact that underregulation characterizes primarily the

functioning and the oversight of the securities market. This, however, is not an accidental result, because essentially, Hungary has no substantive law governing securities.

[In Hungary] securities trade started by virtue of the fact that several decrees with the force of law named certain types of securities (bonds, treasury certificates, deposit certificates, etc.) and circumscribed the chief attributes of these securities insofar as format was concerned. We do not have, however, a comprehensive securities law, which would define in general terms the distinctive characteristics of securities (actors, transactions, rights, duties, etc.). In the absence of regulations pertaining to the securities market itself, there are no regulatory provisions pertaining to the (legal) oversight of the actors—regarding the persons and the activities of those active in the securities market—because there are no rules by which compliance or noncompliance could be examined and judged. Accordingly, in this sense, oversight has neither an object nor a subject.

Further problems arise from the fact that for the time being, (or temporarily) there is no legal basis for the overall regulation of the securities market. The 1989 Credit Policy Guidelines do not convey authority to the Hungarian National Bank [MNB] to establish quantitative limits on the issuance of bonds to individuals. (The legality of such limitations was debatable anyway, because no legal provision pertaining to securities authorized any governmental organ to limit the issuance of such bonds; true: a prohibition was not expressed either.) In the event that there functions a Securities Council, there still would be a need for a final assurance that in a crisis situation the expansion of supply in the securities market can be limited.

The recently adopted Paragraph 5 of Law No 14 of 1988 modifying Law No 2 of 1979 concerning state finances provides that the issuance and trading of securities must be provided for by law or by decree with the force of law, and names the state oversight authority for securities. Also this legal provision necessitates the development of detailed legal provisions concerning the regulation and oversight of securities.

### **I. The Comprehensive Goals and Basic Principles of Securities Regulation and Oversight**

(1) The elimination of risk-taking by investors is not the purpose of regulation and oversight. Risk-taking is an unavoidable feature of market economies, and investors must remain free to determine the individually acceptable level of risk. Viewed from this standpoint it is the purpose of regulation and oversight to ensure that investors are informed to the maximum degree possible, and to protect investors from misleading, false or incorrect information.

(2) Strengthening regulation and oversight must not increase the general intervention by the authorities into the functioning of the securities market. To the contrary: facilitation of the access to the securities market, the liberalization of capital movements, the general trend represented by the multitude of financial services must be enforced. In this context the basic principle of regulation and oversight would be to ensure that in a securities market which deals with increasingly varied and more complicated types of transactions, each investor should be obligated to accept only that risk which is tied to the investment he made, and that he should be free from any further risk which may result from the possible insolvency of a (great number of) intermediaries or from dishonorable business practices.

(3) Another basic regulatory principle of outstanding significance is that market transactions must be constrained by rules which are understandable, permit calculations and can be reviewed, rules, which which preferably do not grant (or leave) any advantage to persons who (may) possess privileged information, or have (or may have) special connections to one or another group of investors, issuers or intermediaries. This suggests the importance of two types of rules. First, the prohibition of using excess information in the course of securities trade, information which is not available to everyone (insider trading); and second, the duty to publicize important (relevant) information (the obligation to provide information and to verify the authenticity of such information).

(4) In regard to the degree of openness regulations may differentiate between so-called private placements and general public offers. Private placement affects a group of expert participants whose members can be identified. It may be assumed that these members are thoroughly and closely familiar with a transaction at issue. Thus regulations concerning private placements are by far not as thorough and detailed as are rules pertaining to general and open transactions.

(5) The general security—high level of solvency and small fluctuations—of the market is in the public interest, therefore the primarily speculative transactions (options and futures) which from the standpoint of the public interest are particularly dangerous, are regulated separately.

(6) The multiple harmonizing of securities market activities (among issuers, as well as between issuers and financial policy) is one of the conditions governing the stability of the securities market. Coordination of primary issues is the task of the Securities Council which works alongside the central bank. On a case by case basis the Council may also serve as an interest reconciliation forum for traders in the secondary market.

### **II. The Institutional Structure of Securities Regulation**

An independent regulation of the securities market is needed in any event, since the content and nature of securities transactions significantly differs from other



financial transactions, and primarily from other banking transactions. Thus the existence of securities regulations is independent irrespective of whether in a given country bank transactions are institutionally separated from securities transactions (e.g. Japan, the U.S.), or if there is only an organizational separateness (e.g. Great Britain, Canada, Holland), or if only a differentiation in terms of a different business branch (FRG, Switzerland, Austria) exists.

The degree by which securities transactions and related regulations are separate from other transactions is defined by whether the regulation of the securities market takes place in an independent institution. In countries where the principle of universal banking prevails—e.g., in the Germanic and Scandinavian countries—the oversight of securities does not take place within a separate institution, but instead state regulation of the securities market takes place as part of banking oversight. The more characteristic the institutional separation of securities transactions from banking transaction is, the more likely it is that the function of securities oversight is conducted by a separate institution (e.g. in the U.S. the Securities and Exchange Commission which is subordinate to Congress, and Great Britain's Securities and Investment Board which is appointed "solely" by the Ministry of Industry and Commerce.)

Characteristically, the institutional structure of securities oversight reflects the following pattern:

- (a) parliament (securities laws);
- (b) ministry (if at all, or on the basis of delegated powers);
- (c) official oversight body (securities committee); and
- (d) self-regulating body (private character).

The role of parliament is always fundamental, at least in the sense that the fundamental rules of securities sales, issuance and trading are defined by law. The law establishes the institutions for state oversight, and circumscribes the basic content of oversight activities. The law may also provide that at the highest level parliament itself exercises oversight. Parliament then performs this function through a committee, body, etc. directly appointed by parliament, and which reports directly to parliament.

If the law delegates the oversight function to a state administrative organ which already exists for a different purpose, the law also describes the functions as well as the independent representation of the function. This structure may be realized if oversight is established in the form of an independent authority, and the ministerial organ retains the function of "overseeing the oversight function."

The functioning of the securities market is appropriately complicated and its contents change quickly enough so that its regulation and oversight can be successfully realized only if those interested in regulation and oversight—the actors in the securities market—participate in performing the regulatory and oversight function. By virtue of the need to ensure market autonomy, regulation and oversight is necessarily internal in part, which not only relieves, but also offsets the otherwise indispensable regulation and oversight exercised by the state power.

[2 Feb p 15]

[Text] Legal provisions in force define only the most important formal requirements related to various types of securities. Progress from the state of insufficient regulations could be made by a legislative package consisting of three laws, each of which would cover a specific area].

The following is a sketch of the minimum necessary legal and institutional system in the framework of which the functioning and continuous development of the securities market without major shocks appears to be possible. One must consider from the outset that this sketch cannot be either complete or final, because in the course of developing a Hungarian institutional system for securities we are endeavoring to substitute and to supplement a century old organic development derived from international experience and from theoretical models—one which has not been confronted with the reality that exists in Hungary. Accordingly, we must endeavor to establish a framework in which the applied solutions are flexible and can be further developed, and which are responsive to the daily challenges presented in practice.

Since legal provisions now in force contain only the most important formal requirements for individual types of securities, and do not at all address the issues surrounding securities market activities, it becomes logical that neither the regulation nor the oversight of securities today has either a subject or an object. For this reason the institutional construction must begin by all means with an outline of the basic elements and the rules of conduct of the securities market.

We must break out of today's chronic state of under-regulation in three main directions. These main directions suggest the need for a minimum of three laws, but perhaps more likely the creation of a package of legal provisions studded by three laws.

- (1) Securities law (provisions concerning issuance, sale);
- (2) Securities exchange law (provisions concerning the organization, activities and the control of securities exchange); and
- (3) Securities oversight law (provisions describing the tasks, rights and duties, and the procedures of the oversight authority).

I will convey the sense of each of these three packages by describing the contents of each of these organic elements and by presenting the specific directions of action to be pursued by the most important of these.

(a) The securities law must define the concept of securities. It would be appropriate to use a general conceptual framework which does not rule out the evolution or establishment of new forms of securities, or, expressed in more appropriate terms: a framework which permits the automatic application of securities market regulations to new, yet unnamed types of securities if those securities meet certain criteria. The following definition (which I borrowed from Gyorgy Ivanyi, with his kind consent) describes these criteria:

"Any and all certificates which are transferable freely or under conditions, and which embody rights which have their origin in investments made in a form that can be expressed in monetary terms, and whose transfer assigns these rights to the new owner, shall be considered as securities. Securities contain a description of the issuing (the obligant) person, the amount invested and a verification of the payment of the amount invested, the rights emanating as a result of the investment and the method and time of enforcing these rights, and further, possible conditions for the transfer of a given security."

The above definition is comprehensive and represents a unity, it does not restrict the evolution of new types of securities, and establishes the possibility of transfer and the independent, immediate embodiment of rights as the sole requirements. It permits the fulfillment of these requirements instantly upon the presentation of certain features pertaining to form, at the same time, however, in due regard to developments in electronics and in automation, it does not necessarily require the presentation of securities in the form of "securities."

(b) The securities law may limit the scope of securities subject to regulations by excluding from among the securities market transactions primarily those which are used as means of payment (banknotes, bills of exchange, checks, warehouse receipts, etc.). Regulation becomes complete if rules pertaining to the exchange of these negotiable instruments is appropriately settled as parts of the banking law (legal provisions concerning the activities of financial institutions) on the one hand, and high level legal provisions governing individual types of securities (e.g. law concerning bills of exchange, law concerning checks), on the other.

It may be suggested that as a matter of positive distinction, securities regulations should apply only to securities which can be traded in large volumes, are standardized, and which are in theory eligible to be officially quoted on the exchange. In addition to a high level of negotiability (in the context of transfer and assignment) a further requirement would be the ability to substitute, a concept which applies to various pieces of identical

securities. Accordingly, the (primary) objects in securities market trading are securities whose exchange is not limited by any restriction which is implicit in the nature of the security, or which was defined at the time of issuance.

(c) The "constitution" of the securities market defines the possible types and scopes of actors in the market. The three definitive actors of the securities market are the investor who seeks gains on his capital, the issuer, who seeks resources to support his activities, and the intermediary or securities merchant, who establishes the relationship between the first two parties, organizes the market, and bridges differences in time and space between supply and demand.

The role of these three actors is not mutually exclusive, they are not tied exclusively to a defined group of the market actors. Nevertheless it is characteristic that certain ultimate savers (investors), such as private persons can be neither issuers nor intermediaries. Certain groups of issuers (e.g. industrial enterprises, the treasury) may be investors at best, but merchants (intermediaries) they cannot. Also this feature makes it obvious that regulations must accurately specify the general requirements related primarily to the securities merchant.

Securities merchants fit into two fundamental categories: the intermediary who (also) works on his own account, and the agent (broker) who works on assignment. The most important requirement to be established in regard to securities merchants is the possibility and the constraint to conduct business in a secure and reliable manner. All institutions engaged in securities trade require a significant amount of their own capital and risk reserves. A mandatory securities insurance fund to which securities merchants contribute at rates corresponding to their respective trading volumes is widespread, and would be desirable from the standpoint of securities trading in Hungary. So-called investment companies may become new types of future actors in the securities market. Their main function would be to invest in the securities market, as contrasted to the securities merchant who fulfills the role of an intermediary. In establishing a framework for the regulation of the securities market it would appear as necessary to also define conditions for the establishment and functioning of investment companies.

(d) Securities market regulations should also define the possible scope of the various types of transactions, and the conditions to which each is tied. The regulations may differentiate between primary (issuance) transactions and secondary (trading) transactions.

From the standpoint of market effects, "primary" transactions are primary because they represent supplemental supplies and thus exert an influence on the global balance of the market. It is no coincidence that appropriately prepared, and strongly capitalized organizations, generally financial institutions are entrusted with the

organization and administration of securities issues. This also reflects the need that the issuer accept responsibility for the market he established: he should not only take his share of the benefits, but in lieu of such benefits he should also assume a larger than average share of the risk, and in case of shortsighted action, also some sacrifice.

Virtually throughout the world there exists the institution of the market maker. The market maker decides whether to refuse to organize the issuance of a given security or the placement of new securities, or, as a matter of obligation, to intervene and to buy up securities which (for the time being) are unsuccessful and cannot be sold publicly. (Lack of success may be determined e.g. by failing to sell more than two-thirds of an issue, or e.g. sales can be realized only at 75 percent of the price level.) Accordingly, the financial institution which acquires a primary right to sell securities faces a "linkage of merchandise": whoever intends to organize the issuance of securities must also offer for sale the less profitable types of securities, which at the minimum demands the cultivation of the market established by the holder of that primary right.

(e) Similarly, it is not only a moral issue, but also a matter of security to establish a duty for the provision of information. Since the issuance of securities subject to regulation may be administered only by organizations authorized for that purpose, it will suffice to extend the duty to inform in regard to the issuance of securities only to these organizations. Accordingly, it is the duty of the firms organizing the issuance of securities to register the securities issued on the one hand, and to assure that the substantive content and format of the prospectus which reflects the business of the actual issuer of securities is appropriate, on the other.

Insofar as the contents of the information to be provided is concerned, a decision must be made as to whether in general the regulations intend to make the conditions of issuance more stringent, or if they intend to establish conditions for "stepping up in to a higher class," i.e. a listing on the securities exchange. If the general requirements for issuance are relatively lax, such regulations will favor the expansion of the securities market in Hungary, but at the same time will increase risk both at the micro- and the macro-levels as a result of having proliferated weak securities. In the event that the conditions for listing by the securities exchange turn out to be overly stringent, a large part of the securities will not be listed on the securities exchange, and thus securities trading will remain an exclusive, closed club at an insignificant volume. It would appear to be the optimum solution to provide relatively liberal general conditions for the issuance of securities, but to obligate the financial institutions which organize the issuance of securities to cultivate the market they established. (This would also be consistent with the law on business organizations. From the standpoint of the securities market the right to issue stock, as established by the law, can be hardly

limited on the basis of business content. Accordingly, every enterprise should have the right to become a stock corporation or to expand its capital stock as long as it finds willing partners on the basis of self-publicized information.) Compared to these standards the criteria for listing at the securities exchange must be stringent.

(f) Rules of incompatibility are an essential part of general securities law. Such rules play an important role in every highly centralized economy where the market is controlled by a small number of companies oligopolistically organized. Such rules will be particularly significant in the near future in Hungary when in addition to the stagnation of savings one may expect the issuance of a large volume of securities (primarily stocks). Rules of incompatibility establish certain prohibitions which apply to the actors in the securities market concerning specific types of transactions. It is essential, for example, that no enterprise may deal with the securities of their own parent companies or of firms in which they hold a direct or indirect proprietary interest of more than 30 percent. If the representative of some firm is also a member of the board of directors of another enterprise, the firm must not deal with the securities of that enterprise. Legal provisions must establish prohibitions with respect to the possibility of price manipulations at the time of issuance; those who organize the issuance of securities cannot be eligible to receive "founders' profits" or gains on exchange rates by paying too small amounts to their clients for listing stocks or by purchasing all or parts of a bond issue at a low price, rather than selling those bonds.

#### [9 Feb p 15]

[Text] A comprehensive exchange law is indispensable to the establishment of an exchange, and particularly to the development of its organizational framework and of its managerial and functional mechanisms. As a generic law, the exchange law should provide general guidance. It would not authorize the establishment of a specific exchange organization (e.g. the Budapest Securities Exchange), nor should it prescribe the application of a certain mechanism. This approach is indicated by the fact that it would be advantageous under any circumstances if the securities exchange would come about as a result of a joint undertaking by financial institutions and securities merchants interested in securities exchange, rather than as a bureaucratic organ which is an integral part of the government.

The securities exchange should be a self-regulatory organization, whose specific operating procedures are developed by the interested parties. These mechanisms may continually change, and may be adapted to market conditions and to the needs of participants, nevertheless within the framework of general rules intended to preserve market stability. (Nor would it be appropriate for the exchange law to rule out from the outset the establishment of securities exchanges in the countryside, or of subsidiary exchanges.)



(a) The exchange law should provide for a method by which a securities exchange is established, and for a choice of possible forms in which securities exchange may take place. The following alternatives exist relative to these matters:

The securities exchange must not be a for profit organization, because as a central place for trading it constitutes a monopoly, and because any endeavor to maximize its own profits would be contrary to interests which strive to achieve the largest possible volume, the fastest possible growth, and the lowest possible cost. For these reasons not even the corporate form appears as truly favorable, even if the stocks issued by the securities exchange itself are not quoted and traded. The admission of new members is always problematic if members are also obligated to purchase stock. But if the purchase of stock is not mandatory, there will be two groups which in part harbor opposite interests: the founders who hold stock, and members who joined later and do not own stock. The former group would be interested in dividends, while the latter would clearly endeavor to reduce the operating expenses of the exchange, and thus minimize income. (If the exchange becomes a corporation, it will also have a general meeting; it is unclear what additional rights the stockholders general meeting would have as compared to the general meeting of members.) If in the interest of avoiding all these problems we do not attribute any distinct significance to the corporate form, then the corporate form, with all its constraints, becomes superfluous.

For these reasons one may also consider the possibility of establishing an exchange along the patterns of the Swiss Securities Exchange Association (Effektenborsensverein). In this case there would be no artificial wall, no possible conflict of interest between the founding members on the one hand, and members who joined later, on the other. Everyone would share an interest in operating the exchange at the lowest possible cost. Needless to say, the Association could engage in business activities, and correspondingly, it could manage its income and expenses. This solution is contradicted by the fact that we are not used to the organizational form of associations, and that an association of this kind would constitute a breach with tradition, inasmuch as associations are not formed for business purposes, but for the achievement of other (political, cultural, social, etc.) goals.

The third alternative would be to establish a special institution, which would come about specifically in response to an authorization contained in a decree with the force of law. Although this solution partly contradicts the starting basic principle, it seems to be simple from a legal standpoint and may be advantageous under today's conditions of economic policy and of structural change.

(b) The exchange law must also specify what market content, and in what kind of related technical form the exchange may be organized. Should it follow the most up

to date Anglo-Saxon trend by becoming a continuous, electronically operated business without a single concentrated place for trading, or should we establish an exchange along more traditional lines, based primarily on the German and continental European pattern which permits the direct meeting of partners. We believe that both of these alternatives are possible and necessary: their parallel operation beholds most advantages and eliminates perhaps in the best way the risks inherent primarily in lack of experience.

The "electronic exchange" actually consists of a network that enables each member of the exchange to be in continuous on-line contact with every other member of the exchange. This is accomplished with the help of a central computer. Thus, individual buy and sell orders instantly appear on each participant's screen. They, in turn, have an opportunity to instantly react. Here too, the essence is the possibility of a continuous, concentrated display of supply and demand, the possibility to obtain full information, and the possibility to reduce the time required to search for offers and replies, to practically negligible time frames.

The establishment of an electronic exchange, however, is not simply a technical matter. The primary reason for licensing and circumscribing the operating conditions of an electronic exchange is that it holds more risks than do other methods, which have a single place for trading, require more personal involvement, and operate more openly. Under the conditions of an electronic exchange there is no way to seek public offers and to harmonize these at a given point in time so that an official price level could be established. At the same time, artificial price levels cannot be qualified as trend setting in regard to trading outside of the exchange.

(c) The exchange law must provide for types of membership in the exchange and for related conditions:

Under any circumstance, the development of exchange activities requires the increase of the possible number of members. For this reason, rules pertaining to exchange membership recruitment must be formulated in a manner so that as much as possible, only the professional and security considerations limit the number of future members. As a matter of basic principle it is useful to establish that the Exchange Council accepts all applicants who satisfy a set of standard criteria. Accordingly, the subjective evaluation of applicants must be reduced to a minimum, so that the exchange does not assume the character of a closed club. There are three fundamental types of exchange members:

- the trading firm that (also) works on its own account;
- the consignment agent enterprise; and
- the stock broker.

A trader who (also) works on his own account must be the representative of a firm authorized to buy and sell securities. The firm may be a state owned firm, a private company, a financial institution or a business other than banking.

The consignment agent may deal only with intermediary transactions, under appropriate guaranties and mandatory insurance. He too can only be a representative of an independent firm, just as the trader who works on his own account. Quite naturally, consistent with the provisions of the new Law on Business Organization, companies owned by a single proprietor cannot be ruled out from participating in the exchange. The point is that the actors in the exchange do not act on their own behalf, but only as representatives of some kind of company. Only limited liability corporations may assume obligations which exist in regard to every company involved in the exchange.

The stock broker plays a role in transactions which take place within the exchange, as a special agent helping to harmonize supply and demand. This office is needed only if trade based on listing is discontinued, and if we introduce the establishment of official price levels.

The authorization for all three types of merchants empowered with all rights is granted by way of the unified state monetary and capital market oversight, which is to be discussed later. Such authorizations too may be granted only on the basis of compliance with standards established by law. Exchange membership may be applied for and granted to firms only, but they can trade only if their representatives and employees obtain a traders' license consistent with strict professional requirements. This also suggests that actual trading on the exchange may be pursued only by firms which in terms of solvency and reliability meet established criteria, and further, only if their employees satisfy established professional and moral criteria.

In regard to firms, the conditions for trading on the exchange partly coincide with the requirements established for quoting securities on the exchange. Accordingly, only such firm may be members of the exchange, which (e.g.):

- have managed their businesses profitably at least during the preceding five year period;
- have paid their debts on time and whose solvency was appropriate on a continuous basis;
- have not received special, individual subsidies or preferential treatment;
- were not subject to bankruptcy proceedings or to state ordered bankruptcy reorganizations;

—do not hold an interest larger than 25 percent in the business of other members of the stock exchange, either directly or indirectly; and

—are licensed by the state oversight authority.

In regard to traders or agents actually trading on the exchange the conditions are that:

—they have completed financially oriented education at least at the intermediate level;

—they have at least three years of professional financial experience;

—they have successfully completed the traders' or agents' course offered by the stock exchange;

—they have demonstrated moral integrity; and

—they do not have conflicting interests stemming from a secondary job, side job, property or financial interest.

Entrepreneurs who establish individually owned companies, or companies which are owned by a few persons for purposes of pursuing activities on the exchange may function initially only as agents, and only under a guaranty issued by a strongly capitalized firm.

After three years these companies may become independent, but at the same time must enter the next stage of the system of assurances that is related to the trading of securities. They can transact business on their own account only if a strongly capitalized firm, accepting unlimited liability continues to guaranty the firm's activities.

(d) The next important chapter of the exchange law contains provisions relative to conditions by which securities may be quoted on the exchange. In order to be quoted on the exchange, enterprises issuing securities must meet various criteria of both substance and form.

The conditions for both the issuance of securities, and the introduction of such securities in the exchange are the profitable management of the enterprise, its ability to make payments and its solvency. In order to be quoted on the exchange it is necessary to acquire basic information concerning the enterprise, and such information must be published in a separate prospectus. The authenticity of corporate balance sheets and of information based on such balance sheets must be supported by the findings of a mandatory audit. In regard to stock corporations the Law on Business Organization requires the employment of an independent auditor.

From the standpoint of the introductory prospectus it is useful to differentiate according to the various types of securities. In cases involving bonds it may suffice to present certified balance sheets for the past three years in

a national newspaper or in the newspaper of the securities exchange. In regard to stocks, also a separate publication must be issued to give the broadest possible public notice. Such separate publications must be suitable to present the history, business profile, total activities and the management of the enterprise in detail, because, in the final analysis, a company goes public when it is quoted on the exchange.

The formal conditions of being quoted on the exchange may be presented in the form of some quantitative requirements (minimum values, generally higher values if stocks are involved, first issue—new issue, minimum face value, the minimum proportion of the total capital of a stock corporation, etc.)

On an international scale it frequently occurs that the exchange has a separate organ which judges quotations. The establishment of such a listing committee or quotation council (Zulassungstelle, Quotation Committee) will not be warranted in Hungary for quite some time. In a manner similar to the judging of members of the exchange, the tasks related to quotations may be shared by the monetary and capital market oversight authority of the state on the one hand, and the Exchange Council, on the other. (The former would formulate, and control the prevalence of standard rules, while the latter would judge specific applications.)

[16 Feb p 16]

[Text] The securities law should provide for a method of oversight, and should specify the tasks of the body (bodies) entrusted with oversight. Requiring the election of a securities council would serve a good purpose. The securities council is an autonomous governing body elected by legal entities which take part in securities trade and which are members of the exchange. The most important function of the Council would be directing the exchange activities. It acquires its autonomous governing character by being elected by members of the exchange on the one hand, and by approving the applications submitted by new members, on the other. At the same time it would be apparent that also the exchange council must be under dual supervision, under the supervision of the general meeting of the members of the stock exchange, on the one hand, and the state supervisory authority, on the other. The most important functions of the exchange council would be: —the admission of new members, the licensing of new organizations, agents and traders, alternatively, suspending, or temporarily discontinuing the licenses of persons to trade, or excluding persons from the exchange; —the defining of specific criteria for, and procedures governing the rejection of new members, and for the granting, suspension and revocation of licenses; —the licensing of admission and trade of securities, and the possible suspension of quoting securities on the exchange; —the development of the exchange organization, appointment of officers, supervision, coordination and possible suspension of exchange

committees (ethics committee, etc.); —the representation of the exchange before the state, abroad and in Hungary before entities not involved in the exchange; —the defining of the order by which the exchange functions; the enforcement of that order; —the establishment of conditions for trading; providing for undisturbed trading; stopping the evolution of processes which endanger investor security and required action. If necessary, the securities law could provide for the composition of the exchange council, if that is necessary from the standpoint of the proportional representation of various interests among members of the exchange, (e.g. commercial banks, specialized financial institutions, insurance companies, institutional investors, agencies, etc.). And further, the securities law may provide for the establishment of other institutions and an executive body of the exchange (e.g. secretariat, exchange committee, ethics committee, listing committee, information center, etc.) complete with the functions of all these entities.

Although the development of rules of practice to be followed by the exchange is the task of the autonomous governing body of the exchange, the securities law could outline areas which the exchange rules of practice must cover. At the same time it could empower the securities oversight authority to control the rules of practice from the standpoint that they comply with the letter and spirit of the law, and to continuously examine the functioning of the exchange from the standpoint of whether it complies with the contents of the rules of practice.

Accordingly, the exchange's rules of practice would have to define:

- specific criteria for admission to become a member of the exchange, and the procedures by which such admissions take place;
- the rights, duties and functional mechanism of the executive body of the exchange;
- specific criteria for quoting securities on the exchange, the schedule of admissions and actions to be taken;
- information which must be provided, as well as the method and frequency of publication;
- possible types and forms of exchange transactions;
- rules for establishing and publishing price levels;
- provisions which by virtue of guaranties ensure undisturbed trading and the protection of investor interests;
- provisions which hinder insider trading (irregular business transactions);
- the types and amounts of fees to be paid to the exchange; and
- sanctions for the violation of rules.

**The Institution, Tasks, and Procedures of Securities Oversight**

Thus far in Hungary, both the spontaneous and the organized development of the securities market went hand in hand with the general development of banking. There are some persuasive reasons (expertise, capital concentration in banks, etc.) why this should remain



unchanged in the future. Accordingly, because within the activities of financial institutions the traditional banking functions are not institutionally separated from investment conveyance functions, meaning that it is likely that also in the future the bulk of the securities business will be conducted by financial institutions, it would be appropriate to link securities oversight closely to banking oversight. But since securities exchange oversight has peculiar, separate, diverse and substantively different tasks (e.g. the supervision of the exchange) than banking supervision, the securities oversight authority should obtain legal and organizational independence. For this reason the optimum situation would be to establish an autonomous securities oversight authority, but within the unified state oversight framework of the money market and the capital market.

Three distinctly different ideas emerged in regard to the place of a unified state money market and capital market supervision within the institutional system of economic management. These ideas were nourished also by various institutional interests.

—Even after 1990, the unified state money market and capital market oversight should continue to function alongside the Ministry of Finance, in a manner similar to the present system of banking and insurance oversight. Supporters of this solution (the Ministry of Finance) argue that the Ministry can more efficiently perform tasks which have their origins in actual financial policies if the oversight of financial institutions takes place within its organizational framework.

—A unified state money market and capital market oversight should function alongside the central bank. This solution is supported by the idea that the supervisory means are closely related to the means used in monetary policy, and that the enforcement of central bank and financial institution supervision would become more effective if the two were harmonized. The joint exercise of these two supervisory functions is enabled by the fact that both functions are supported by an identical information base.

—The third method for unified state money market and capital market oversight would be an independent authority supervised by the National Assembly. This is the best solution, in my view. This approach is supported by the idea that in it, the various state supervisory functions serving different purposes are clearly separated, while at the same time [each supervisory function] emerges in a [separate] organizational framework. Thus some contradictions would be eliminated, which would be unavoidable under the two previous alternatives. Among these, the most important contradiction rests with the fact that if the state organization responsible for protecting the market belongs to any one of the organizations which has a financial policy function other than supervision (e.g. budgetary or monetary policy,) there may emerge a

conduct which reflects a governmental view responding to momentary tactical concerns, and thus disturbs the market, rather than a stable harmony, which strengthens the market. This would come about in response to clashes which frequently result from objective conflicting interests. The establishment of an independent supervisory institutional system responsible to Parliament would be most consistent also with the spirit of a recent resolution passed by the TgB [abbreviation unknown] concerning the development of central bank direction.

In a manner similar to the oversight of financial institutions, the tasks of securities oversight—foremost of all the oversight of legality—would be:

- enforcement of laws and decrees which pertain to the securities market, and within that to the activities of the exchange;
- control of the self-regulating bodies (e.g., the exchange council);
- control over the legality and enforcement of rules promulgated by self-regulating bodies;
- maintenance of records concerning securities, registration of securities and the authorization of their issuance;
- distribution of information concerning illegal actions related to securities and market transactions;
- maintenance of records concerning, and the registration and licensing of commercial enterprises engaged in the securities trade;
- enforcement of the obligation to provide information and to prove the authenticity [of securities sold], and the requirement of providing specific information;
- development of specific rules concerning insider trading and incompatibility, and the enforcement of those rules;
- suspension and revocation of licenses as a result of illegal activities, proceedings in the capacity of an authority of the first instance and/or an authority which initiates legal action in the exchange court or in other courts; and
- arbitration of disputes, the prescription of constrained agreements if no laws were violated, the initiation of [legal] action if laws were violated.

A comprehensive system for the oversight of securities and the exchange must be developed in the course of this year. It would be beneficial to select a head for this institution already this year, because detailed legal provisions concerning oversights, and procedural rules for continuous functioning are best developed by the future experts of the oversight authority.



**Bos-Nagymaros: Inequity Perceived, Legality Questioned**

25000121c Budapest HETI VILAGGAZDASAG  
in Hungarian 18 Feb 89 pp 62-63

[Interview with international law expert Peter Kulcsar by Janos Vargha: "Our Country Should Seek Financial and Territorial Compensation"; date and place not given]

[Text] For the time being, parallel discourse continues regarding the Bos-Nagymaros case, with no chance for agreement in sight. Not too long ago minister Laszlo Marothy conducted negotiations with our northern neighbors, and as of lately, deputy prime minister Peter Medgyessy signed a few amendments to agreements which change some of the completion dates. Meanwhile, the Danube Circle continues to gather signatures even in the countryside, demanding a popular referendum on the case. Rumors are that the number of those in agreement with the idea has exceeded 100,000. Peter Kulcsar (age 50) is a lawyer and a journalist, and the author of studies and articles. He examined some of the contradictions implicit in the agreements reached in regard to the Bos-Nagymaros case from the legal standpoint—an approach which thus far attracted relatively little attention. Are there sufficient arguments for the renegotiation of the agreement? What could be sought, and what could be expected if the parties involved accepted the lawyer's reasoning which questions the validity of the agreement. We asked the legal expert why he questions that Hungarian and Czechoslovakian interests regarding the water step were considered in a balanced manner.

[HETI VILAGGAZDASSAG] There is much debate concerning the efficiency and ecological implications of the Bos-Nagymaros water step. Less is said about legal implications. The official viewpoint holds that there exists a valid interstate contract which requires performance. Yet, already in 1983, a committee of the Hungarian Academy of Sciences suggested—true, not publicly—that there might be a possibility to cancel the agreement if we argued on the basis of changed circumstances. How should we interpret this, what would be the basis of our arguments?

[Kulcsar] Circumstances have changed indeed, and it appears that both parties have erred in projecting expenses and the environmental damage. Except for the fact that while only we would be making such a claim and Czechoslovakia would maintain that the plan was feasible, a possible cancellation of the agreement by the Hungarian party would be accompanied by the announcement of significant claims, filed not only by Czechoslovakia, but also by Austrian firms. From the outset, our assertion of changed circumstances would be based on an assumption that the Hungarian-Czechoslovakian agreement of 1977 was valid and flawless at the time it was signed. It is precisely this assumption which I do not accept as self-evident. I see two grounds on the

basis of which the original agreement could be challenged. First: a presumption of inequity—in the legal sense of that term—can be made with respect to the agreement. The other: it is my view that by virtue of the agreement the two governments made certain substantive changes which deviate from the terms of the 1947 Hungarian peace treaty. They deviated already at the point when the signatory parties to the peace treaty were not called to participate, and when the views of the signatory parties were not sought in advance.

[HETI VILAGGAZDASSAG] Could you be more specific: to what extent does the 1977 water step agreement conflict with the 1947 peace treaty?

[Kulcsar] The fact that the Hungarian-Czechoslovakian border is drawn in the center of the Danube in terms of a waterway, is an essential provision of the 1947 peace treaty. This provision relates to territory. As a result of the water step there is a deviation from this provision on a 30 kilometers long Danube stretch. A significant amount of water and an international waterway was "transferred" to Czechoslovakia. The Paris treaty discusses the "principles of justice" and the "stability of borders," and it does so also from the standpoint of the losing country—Hungary. The Helsinki Final Accords also addressed the matter of stability with respect to European borders, but it seems that everyone views this as mandatory only insofar as losing countries are concerned. Namely even we do not bring up the issue that this principle favors not only others, but that it also should be interpreted as favoring Hungarian territorial integrity.

[HETI VILAGGAZDASSAG] You also talked about an "unequal agreement." How should we interpret this?

[Kulcsar] Formally, i.e. on the basis of square meters, the territories of the two countries remain equal, and the quantity of electric current would be also distributed evenly. But beyond these I find that almost everything is unequal. First of all, a 30-kilometer stretch of the Danube, an international waterway, is transferred to Czechoslovakia. With that we are losing a navigation path and an amount of water which is significant from the standpoint of the live environment. The river transferred to the neighboring country becomes the "service canal," which nominally remains "common property." This means that while we cannot get to the river banks, we must pay half of the maintenance costs and expenses. Second: from the outset, the two countries did not contribute to the [Bos-Nagymaros] establishment areas and river stretches of identical character. It is a significant advantage from the standpoint of Czechoslovakia that the great changes resulting from the water step take place in outlying, extreme, not densely populated internal areas, and not on rivers that exist in those areas. In Hungary all these changes affect Budapest, several densely populated cities, as well as agricultural, foreign tourism and historical preservation zones. One should also mention that compared to Czechoslovakia, Hungary

is a so-called downstream country, in other words Hungary is located downstream, which is not indifferent from the standpoint of water pollution. Third: Pozsony [Bratislava] is becoming a serious port with international traffic, while a similar role of Budapest will be reduced. The agreement provides no monetary, territorial or other compensation to offset these advantages and disadvantages. Thus, I believe the equal sharing of the total expenses in itself constitutes the inequity. Both the U.N. Charter and the 1969 Vienna Accord concerning the order of international agreements regard the legal equality of states a basic principle. According to Section 53 of the latter document, a violation of this principle in an agreement may mean that the entire agreement is invalid. It is likely, of course that the invocation of this provision would trigger great debate which would include all the then existing political circumstances and the international balance of power.

[HETI VILAGAZDASSAG] Why did not the fact that the water step agreement was not in accord with the Paris Peace Treaty trigger debate or comments by the signatory parties to the peace treaty?

[Kulcsar] In addition to Hungary and Czechoslovakia, the signatory parties to the Hungarian peace treaty were the Soviet Union, the United States, Great Britain, Yugoslavia and Canada, and less-interested Australia, India and New Zealand. Section 41 of the already mentioned Vienna Accord states that two parties to a multinational agreement must not reach an agreement without the other parties, if such agreement deviates from, or is in conflict with the "successful achievement of the object, the goal" [of the multinational agreement]. Further, [the Vienna Accord requires] that concurrence of the signatory parties be sought in advance if the change "affects the other parties' ability to exercise its rights based on the agreement." The acquiescence of the other parties must be expressed, and such expression must extend to the whole issue, to the policy [that is implicit in the issue]. This did not take place.

[HETI VILAGAZDASSAG] If your reasoning is correct, it would be incumbent upon Hungary to take a step. But what step, and how? At the moment, "nature is being transformed" at full speed. Beyond the discussion of legal arguments, can something be done nevertheless?

[Kulcsar] Work has indeed progressed at great expense and with the involvement of additional entrepreneurs. But perhaps the wrongs can be reduced, while the advantages presented by navigability and electric power production may remain. In this sense then, I would recommend an appropriate revision of the agreement. Such revision would begin by saying that the agreement is invalid. In this case there would be no compensation for damages, because both parties to the agreement would acknowledge fault, and therefore no [further] reference could be made to a legal, "untouchable" agreement. In my view, Hungary should seek certain territorial and monetary compensation: we would obtain a

more or less 10 kilometer stretch of the service canal, the international waterway banks, the piece of land that lays between the present border and these banks. This would not represent a demand for the Southern bank of the entire canal. The power plant at Bos, for instance, would remain Czechoslovakian territory. In the interest of achieving equality, the payment of costs ratio should also be changed to a certain extent. Quite naturally, the revision would also cover all the changes needed from an ecological standpoint.

[HETI VILAGAZDASSAG] Let's be realistic. Don't you think that it would be easier to accomplish, and more useful to recommend the abandonment of the Visegrad-Nagymaros water step and to seek a moderation of the damming at Bos and request that much more water be left on the border stretch than what we have at present? This compromise has been suggested already in 1984 by the environmental protection office, and was also contained in a proclamation signed by Slovak academicians last year. All this is viewed as a realistic alternative also in a committee report accepted by the presidium of the Hungarian Academy of Sciences. Don't you think that these changes—as viewed from the other side—would be more palatable from the standpoint of a revision?

[Kulcsar] I would rather say that these changes, in addition to the ones I mentioned, could also become a part of the above mentioned, new revised agreement. And I consider the recommended amendment concerning territorial and financial responsibility claims as just, even if those could not be fully realized. Nothing could be worse than not even having a viewpoint on what is just.

**Food Industry Union Seeks Equal Pay for Women**  
25000104a Budapest NEPSZAVA in Hungarian  
23 Jan 89 p 7

[Article by Lendvai: "Women in the Food Industries Should Receive Pay Equal to That of Men"]

[Text] The Trade Union of Food Industry Workers [EDOSZ] recently examined how women and girls are treated in the food industry, where nearly 50 percent of the employees are women. (There are areas where the proportion of women is even higher: In the confection industry it is 67.5 percent, in poultry processing 58.3 percent and in canning it is 54.7 percent.) Unfortunately, most of them possess no professional training, and so their wages are generally lower than those of men.

The trade union committees make every effort to see more and more women become trained as skilled workers, and succeeded in obtaining a lump sum payment or hourly wage increase for anyone who passes a test for skilled workers. However, no further progress can be expected in the training process because, according to the regulations, the previously granted release can no longer (or only in part) be granted to those who study during working hours.

There are courses, however, which enroll a great many women. To be sure, there have been changes made in their areas of work, which they can no longer accomplish with their old skills. Many of them enroll in computer courses, because young people in this sphere feel that this offers them opportunities.

There is an increasing demand for bringing performance and wages into closer harmony with each other. It is worthy of note that the proportion of women in the food industry who are paid on a piece-work basis exceeds 60 percent, and if they are skilled workers, then there is more or less a wage equality in the area of blue-collar labor. Among nonphysical workers, however, since there is no shortage of labor there, the enterprises do not feel the urge to pay women approximately as much as men if they perform the same work.

The leadership of the EDOSZ urges the trade union committees and the shop stewards to strive toward obtaining wages that are in accord with actual performance and training.

Even though for the time being the food industry has not been effected by layoffs, restructuring and the change of products will bring about a certain reorganization in this sphere as well. This will effect women, especially in cases when professional training is lacking. At the initiative of the trade unions, there have been numerous refreshing and continuing training programs have been initiated.

The leadership of the EDOSZ notes that technical progress during the recent years has made work much easier. However, there can be no letup in promoting small-scale mechanization and the modernization of packaging. The goal is to reduce the proportion of manually performed labor.

#### **Youth Encouraged To Exercise All Available Rights**

25000103b Budapest NEPSZAVA in Hungarian  
27 Jan 89 p 7

[SZOT Youth Council Open Letter to Young Trade Union Members]

[Text] Our trade union movement is in the midst of reorganization. Cognizant of the seriousness of our situation, on 22 October 1988, at the trade union youth conference we adopted a platform calling for firm measures aimed at halting the continued deterioration of our living and working conditions. The platform, intended to serve as the basic document governing the renewal of trade union youth work, has also been endorsed by the national trade union conference. The realization of our just union demands will require high-quality work from all of us.

We are convinced that this is not the time to turn our backs to the trade union movement; on the contrary, those who want to do something, who are looking forward to a better future for us have a vested interest in playing an even greater role than before in our work.

The organized youth has no interest in prolonging the existing situation. It considers unacceptable the prospect of living on social assistance, charity and without work. We demand change, while wishing to change ourselves and the things around us.

Every young person must decide for himself whether or not he wants to participate in promoting his legitimate interests, and in the shaping of our newly organizing movement. Protecting and asserting worker interests has always been the basic mission of the trade unions; we should now make a new commitment to that mission.

We are preparing for trade union elections. Here is the chance for us to become direct participants in the shaping of the new movement. Union rights are also the right of the young. Let us not be afraid of assuming formal duties in the movement so that we can be involved in the making of important decisions.

We have a program: We want to live better, and we want to do something about it. Let us take advantage of all of our union rights, and cooperate with all those who want to do something for young people and our future. We believe—because we have been convinced of it—that in a system of democratic elections and multiple nominations young trade union members can offer a viable alternative, along with all those who enjoy the trust of the organized workers, and whose goal is to revive the movement. We trust that this time the membership will only elect representatives who want and are able to protect their interests.

#### **Right To Strike Demanded**

25000141a Budapest NEPSZAVA in Hungarian  
22 Feb 89 p 5

[Article by Andras Deak: "Union Views on Proposed Law: Strikes Protesting Government Decisions Should Be Permitted"]

[Text] The number of faces familiar from the union movement present at last Tuesday's judiciary committee meeting in Parliament was noticeable. Although Dr Gaspar Koros, the head secretary of the Bacs-Kiskun County Union Council took part in the debate in his capacity as a National Assembly representative, present were also National Council of Unions [SZOT] secretary Dr Magda Kovacs-Kosa, Public Employees' Union executive secretary Dr Endre Szabo, and SZOT division director Attila Hajdu. The unusual interest may be attributed to the debate on the legislative proposal concerning strikes. We questioned the union officials concerning this proposal during recess.



"Having heard the debate it seems that the representatives are not really prepared to adopt the strike law. A number of specific proposals were made which require further thorough evaluation," according to Dr Kovacs-Kosa, "The greatest concern to the unions pertains to one sentence of the justification concerning the first paragraph of the legislative proposal. According to that sentence the right to strike exists only with respect to an action taken (or failure to act) by the employer. In our view this construction restricts the right to strike inside the factory gates, and we do not support such constraint. This would render strike action protesting decisions made outside the workplace practically impossible. It would be impossible, for example to initiate a legitimate strike against government decisions which violate the workers' rights and interests, or in the interest of enforcing lawful demands whose satisfaction is within the authority of government."

At the committee meeting Dr Gaspar Koros proposed that Parliament schedule two rounds of debate concerning the strike law. At first reading, during the early March session representatives should adopt only the concept of the legislative proposal, and the detailed text of the law should be debated later, in the course of another session.

"I am convinced that there is a need for a strike law, but we should not act hastily in creating that law," Koros argued. "So many modifying amendments were suggested at the committee meeting that representatives could not render responsible decisions concerning each of these in the course of one or two weeks. For example, my fellow representative Dr Jeno Horvath submitted a proposal to the committee secretary which, for practical purposes constitutes the text of a new strike law. Each of us must study these proposals in detail."

Public Employees' Union executive secretary Dr Endre Szabo feels this way: "we should consider it an accomplishments that at the unions' recommendation a real strike law, which is called a 'strike law' will be presented to Parliament, rather than the originally planned law concerning work stoppages. Incidentally, in regard to the right to strike, public employees are in a special situation because the work relationships of government employees are fundamentally governed by cabinet level rules and regulations. Accordingly, in this respect one cannot say that the right to strike may be enforced against the boss at the workplace, the person who exercises the authority of the employer." Szabo believes that the concept of the employer must be interpreted more broadly, and that possible strikes should be instituted against persons who took the objectionable, damaging action—the one who has the authority to rescind or to change such action."

SZOT division director Attila Hajdu had this to say: "The unions welcomed the fact that Alternative 'B' of the proposal placed before the representatives includes the possibility of solidarity strikes, and the fact that strikes can be organized not only at the initiative of

unions. On the basis of collective employee rights all workers are entitled to exercise this aspect of the right to strike. Debate continues concerning the persons against whom strikes can be initiated. In our judgment this is not the decisive issue, this is not what should be the subject of separate provisions. It would be far more important to clarify the purposes for the accomplishment of which lawful strikes may be initiated."

### **Fire Damage in Television Newsroom Reported**

*25000113a Budapest NEPSZAVA in Hungarian  
1 Jan 89 pp 1, 5*

[Article by "csarni": "Not Even Arson Can Be Excluded"]

[Text] We have been informed by radio and television that a fire broke out early Monday morning in the Hungarian Television's Szabadsag Square building, in the TV newsrooms on the fifth floor. The fire was reported by telephone to the Capital City Fire Department at 4:17 AM.

Within 3 minutes after the alarm went off, firefighters from capital city districts 5, 6 and 7 arrived on the scene with 23 vehicles. Not only the fifth floor's hallway and its file cabinets were on fire but also two rooms of the Newsreel's foreign affairs editorial office, measuring 120 square feet, were in flames. The firefighters succeeded in stopping the fire's spreading to the other wood-paneled rooms opening to the Newsreel's hallway.

"The fire had spread and it was so hot that the fixtures of the neon lights melted off and the paint bubbled even on the cabinets further away," said Firefighter Lieutenant Colonel Ivan Bartha, chief of the fire fighting and service division of the Capital City Fire Department.

The 82 firefighters extinguished the fire in less than an hour, saving more than 100 million forints in value. The damage is significant nevertheless; according to estimates following a consultation with Endre Aczel, the Newsreel's editor in chief, it is approximately 5 million forints. All the technical equipment of the Newsreel's foreign affairs editorial office, and most documentation were destroyed by the flames. In addition, the power and telephone cable network in that part of the building also suffered damages. The cause of the fire is being investigated jointly by the fire department, the police, and a judicial electricity expert. The circumstances indicate that the possibility of arson has not been excluded.

### **Everyone on Deck**

Monday afternoon. An unpleasant smell of burning fills the Newsreel's fifth-floor hallway, parts of the walls are dirty and sooty. There is even more bustle than usual. Almost every reporter, editor and technician of the Newsreel is in his place.



"How is the program being produced now?" I asked Gyorgy Sebes, the editor responsible for the first edition.

"The same way as usual. Only under worse conditions. The rooms where the editors of the second and third editions worked are burned out. The cables are also damaged but most of the equipment is working again. The change includes "only" the fact that nothing is in its original place. We have rearranged everything."

"Are the telex machines and telephone lines working?"

"The telex connection with the Hungarian Telegraph Agency is broken. At present we are receiving telex news from the HTA by car with a turn-round almost every half an hour. A significant part of the telephone lines has also been damaged; fortunately, most of it has already been put in working order."

The producers of the program are hard at work. Foreign and Hungarian-related news material is now being carried by hand from one floor to another, the rooms are crammed, the fire has shocked everyone. Program director F. Jozsef Kaplar was getting ready for the 7:30 broadcast; he seemed a little tired but said that it was only because the usual work.

"We made a report on the fire but this will not be the program's sensation. Other events will probably get more attention from the viewers. And, hopefully, our work will not be apparently affected by our troubles."

It speaks well for the TV's staff that, in watching the evening Newsreel, we were indeed unaware that there had been a fire on the fifth floor of the Television building.

## HUNGARY

### Sources of, Remedies for Poverty Analyzed

25000099 Budapest HETI VILAGGAZDASAG  
in Hungarian 21 Jan 89 p 78

[Interview with SZETA activist and sociologist Ottília Solt: "SZETA Came About Primarily as a Result of Moral Pressure"; date and place not given]

[Text] According to official estimates, some 700,000 Hungarians live below the government-defined minimum existence level. But can poverty really be measured by indicators; where is the continued pauperization of our society likely to lead; and can this process be stopped at all? These were the questions we put to the (45-year-old) sociologist Ottília Solt.

[HVG] You originally started out as a research sociologist. Today you make your living in a kindergarten. Your name, however, is best known as that of an opposition activist. How, and as a result of what has your career status changed?

[Solt] Until 1980, I had worked as a research sociologist. That year, however, I was not only removed from the job I had held, but together with several dozen intellectuals, I was also completely barred from employment in my profession. Various lists of mysterious origin were circulating in the social science institutes and editorial offices about the people who could not be hired, whose articles could not be published, and whose names could not even be mentioned. Since then, I have had no institutional ties with sociology. Still, at the risk of sounding immodest, I believe that I and some of my friends have more and different information to share about poverty than any representative of official sociology.

[HVG] What do you mean by more and different?

[Solt] During the 10 years prior to my excommunication from scientific life we had, under the guidance of our mentor, István Kemény, collected specific data in this field. Then, having drawn the necessary conclusions from the experiences of the decade, in 1979 we established SZETA [Foundation for Assistance to the Poor]. We had come to the conclusion that since the official policy and the tightly controlled publicity were unwilling to acknowledge the existence of poverty and the long-term socioeconomic dangers poverty entailed, we would have to appeal to the public opinion independently of our official institutions, and to try to turn our solidarity with the poor into a movement. First and foremost, SZETA had come about as a result of moral pressure. SZETA's activity has enabled us to maintain permanent and intensive ties with several poor families in various parts of the country. This has proved to be a special approach to "tolerant sociology."

[HVG] And how much have society and the affected institutions learned from SZETA's efforts? Is there anything your organization has or could have done to improve things?

[Solt] We have never thought that an independent social effort alone was enough to eradicate poverty. We know that it can only be done with the help of a longer than short-term sociopolitical program that requires significant central resources. Not even large sums of money will bring results, however, without a sizable social consensus. There can be no relief unless the majority of those who live in consolidated safety begin to consider it morally intolerable to see others live in tormenting destitution, and to understand the potential dangers a mass of people left behind without prospects present to society. Virtually (completely) ignored by the mass media, discretely suffocated by the internal security organs, and having to rely solely on the "second publicity," SZETA's voice of, of course, could barely be heard in an era when the majority was growing more prosperous and had an unshaken faith in the future. Nevertheless there were some who heard our pleas and cooperated with us.

[HVG] You have spoken of a "poor" versus a "consolidated" society. But where does one end, and where does the other begin? Who are the poor?

[Solt] Until most recently, institutional research has tried to circumvent the use of the word "poverty," treating it as an unscientific concept. We, on the other hand, have steadfastly insisted on using it, for it expresses perfectly what we want to say: a person who is deprived, who has nothing, and whose fate is to live under such conditions. In other words, when I [use the word] poverty I am not referring to one's income status, but rather to a form of life without prospects, the basis of which is inherited pennilessness, and in which never ending and constant money problems motivate people's decisions. Under this definition of poverty, privation is not just a temporary state of life, but a lasting and insurmountable condition. Even if for brief periods one's income may be relatively high. There is a whole stratum in Hungarian society, made up mostly of unskilled laborers, which is characterized by this condition. This is what I call structural poverty, distinguishing it from the "consolidated society" in which, of course, one might also encounter privation, and occasionally—as a result, for example, of protracted inability to work, or disability to work because of old age—even serious hardship. During times of economic crisis, it is possible for someone in a "consolidated" stratum to sink permanently into a state of poverty. Unemployment holds the greatest danger in this regard, if it reaches the strata above the poverty line. This is what is referred to as "new poverty." Today, privation threatens masses of people whose existence heretofore has been considered ensured. This is one of the reasons why public opinion has taken a more sympathetic view of the problems of poverty. Still I believe that finding a remedy to the problem of "new

poverty" is relatively easy compared with the task of eliminating structural poverty which, in my judgement, presents a far more serious social, economic and political problem.

[HVG] For those affected, of course, poverty is simply poverty. But what do you mean by structural poverty? Why do you consider it important to make a distinction?

[Solt] This kind of poverty is "structural" because it has become an integral part of the normal functioning of our society and economy. If these poor people were, from one day to the next, suddenly to "disappear," our society and economy would be paralyzed. We would not, for example, have commuting unskilled laborers. For if the commuters were not poverty stricken, they would also not be willing to live such a self-destructive form of life. If, in turn, the laborer did not have to commute, if he could accumulate some savings, stabilize his life, and have children who would not necessarily have to become unskilled laborers themselves, than society would have to do without the shovel handlers. The roots of today's structural poverty—which is an undisputable fact—reach back to the "3 million beggars" era of the interwar years, and even further, to the relations of land ownership which had evolved still in the last century. Our brand of poverty is a direct descendent of the landless agrarian proletariat which had included most of the gypsy population. Despite the repeated reorganization, after 1945, of the distribution of land, most of the have-nots of the past have remained condemned to privation. They are the ones who did not, or, owing to their bad reputation, could not join the new agricultural cooperatives of the 1960's, and hence were denied access even to the small foot of ground, the household plot, provided to others as a token of the new system of village mobility. Instead, they have become a pool from which the system satisfies its unskilled worker needs.

[HVG] As you are commenting on the legacy of the past, you are also criticizing the present. After all, it is our present conditions that qualify the results of the struggle that has been waged to eradicate the legacies of the past.

[Solt] Yes, and no. The social structure which we have inherited was a thoroughly antidemocratic, rigid, in other words inflexible system designed to preserve anachronistic conditions. It was an illusion to think that it could be eradicated with a few revolutionary strokes of the pen. Our own, post-1945 antidemocratic conditions, however, naturally cannot be called cursed legacies of the past, among other things because we still have not eliminated them, and because even if we have, this could not have changed our antidemocratic social structure, even coupled with all of our paternalistic campaigns aimed at closing the gap. To illustrate my point, I would just remind you of the so-called "Cs"—or reduced necessity apartment—campaign designed to improve the lot

of the gypsy population. In the course of this campaign new, segregated gypsy settlements have been built—at the cost of billions—for which, contrary to popular belief, the gypsies have also had to pay. The gypsies, however, are paying with more than just their monthly OTP [National Savings Bank] installments; they must also pay with the dramatically rapid disintegration of their adaptable, traditional communities, and with being forced en masse into the uniform mold of unskilled laborer life; onto a course, which today is leading toward a uniform state of mass unemployment. And the gypsy population is also paying by being the target of society's hatred as the "parasites of society."

[HVG] But there must be something that can be done to remedy this kind of poverty; after all, many European, and recently even some Asian countries have already succeeded in removing this dark cloud from over their heads.

[Solt] We can also cite a domestic example of success: during the period of economic growth in the 1960's and 1970's, "structural poverty" had significantly receded, even without any state interference, because the dynamism of the economy always tends to alleviate poverty. Several thousand families were able to take advantage of the economic expansion, and catapult themselves into a more promising position. The moved, studied, and started a modest career in industry. During this period, Hungarian society had a great opportunity to eliminate poverty, and to fill the gap between the society of destitution and safe existence. That was the time for liberalization, for allowing the dynamism of various life strategies to assert themselves, and for supporting those strategies. Supporting them, among other things, by generously subsidizing children's education. Instead, however, the state began to raise barriers. One such barrier was the concept of "full employment." The institutional system created to enforce that concept—that is, the average wage regulation, the social insurance system connected with people's status of employment—has inescapably locked the destitute unskilled worker into the position of a low-paid "stuffed dummy" whose only way to increase his income was by turning his children into "stuffed dummies" as well. In order to solve the poverty question, the most important thing we should have done was face reality, instead of endlessly insisting that anyone who was willing to work in our country could make it. And, of course, logically implying that those who do not make it must be guilty of something. For clearly this has never been the case. Today we must face the problem of the hopelessly impoverished under far more difficult conditions. Our inefficient economy has become, and is becoming even more indebted not only to the outside, but also to its own society. In the past, it was possible to defuse the social time bomb of poverty with cheap bread, some meat once every two weeks—and alcohol. Today, however, this recipe is in danger.

## POLAND

### Youth Emigration, Views on Patriotism Discussed 26000342 Warsaw ZYCIE WARSZAWY in Polish 25 Jan 89 p 3

[Interview with Prof Marian Balcerek, director, Research Institute on Youth Problems, by Włodzimierz Syzdek: "Is Patriotism Declining?"; date and place not given]

[Text]

[ZYCIE WARSZAWY] Recently, a seminar was held in Poznan, organized by the Honorary Committee for the Observance of the 70th Anniversary of Poland's Regained Independence and by the PRON National Council, and devoted to the problems of patriotism of today's youth. In your paper on this subject you presented rather significant data. They indicate that the ties which link young Poles to their homeland have weakened considerably. What are the underlying causes of such a disturbing phenomenon?

[Prof Balcerek] This comes primarily from the continually worsening situation in which the young generation finds itself. There is a constant lack of realistic prospects for the improvement of the standard of living and in starting out professionally. They are also not to be found, according to a part of the young generation, in the documents prepared at the 10th PZPR Central Committee Plenum. These documents only contain an attempt at solving certain current problems. However, there is no clear prospect for the development of a "new" socialism. In a situation without prospects, it is difficult to love one's country or to be proud of being Polish—so say the young. And if one is proud then it is only within the context of the nation's past achievements.

The shortcomings of the educational system are not conducive to the formation of patriotic attitudes. Young people have been and continue to be "led by the hand" from class to class and from school to school. Somewhere along the way, we have forgotten about the individual and his natural tendency to be active. In this way, we have raised a generation of passive yes-men convinced that everything is taken care of somewhere at the top without the participation of individual entities. The youth of today has simply learned several ways of acting and reacting. One of these is the so-called acquired helplessness. It appears in the form of the conviction that the young generation has little or no influence on the course of social and political processes of importance to it; in the strong and far-removed from youth placement of the sources of control of these processes; and in the feeling of helplessness and threat in their own country. We discovered how widespread the effects of these attitudes are from studies that were conducted in 1988 in school and college youth environments. These studies have revealed that more than one-third of the young generation does not demonstrate any kind of attachment

to its own country, presents a negative evaluation of Poland and Poles, and is indifferent to negative opinions about its homeland. On the other hand, it refers with enthusiasm to the living conditions in other countries.

[ZYCIE WARSZAWY] If this is a manifestation of a kind of cosmopolitanism...

[Prof Balcerek] I do not think so. A similar loosening of ties by young people with their homeland has been observed lately in many countries. Dislike for one's own country is frequently tied to rebellion against the dehumanization of the world created by adults and also to apprehension about the future in the face of civilizational threats. This gives rise to the currently popular term "citizen of Europe."

[ZYCIE WARSZAWY] Consequently, this comes to a head in the decision to emigrate, at least in the case of Poland. In many circles this is regarded as one of the expressions of the lack of patriotism. Is this true?

[Prof Balcerek] Nonetheless, emigration always has and always will differ in terms of motives and underlying reasons. Under the present circumstances, I would consider the main reason to be the realization by young people of the fact that the difficult living conditions cannot be compensated by, for example, participation in the shaping of public life or in deriving satisfaction from nonpersonal higher values. The conviction that the structures of social, economic and political life are ill-adapted to social needs has become deeply imbedded in the minds of the young. This has given rise to the trend of withdrawing from public life and aiming at obtaining goals in the material sphere. Thus, today's youth emigration is primarily of a money-earning nature. The problem lies in that more are leaving than should. And this is happening because, as I have mentioned, of the shortage of housing, and the lack of interesting and fair-paying jobs. Young people do not want to wait for a change in their lot. Studies show that at the same time a smaller percentage of respondents are interested in leaving permanently. A considerable number of young people declare their desire to leave the country for a short period of time. However, these short-term departures constitute the most serious loss for us since, in general, young people at the height of their creative potential are the ones who go abroad. There they sell their ideas and initiative. They return exploited and geared toward values other than concern for the country's fate.

[ZYCIE WARSZAWY] For understandable reasons, it is difficult to suddenly eliminate the youth emigration phenomenon. But perhaps it can be curtailed somewhat by, for example, effective activity on the part of youth, social and political organizations?

[Prof Balcerek] That is not the way. Surveys indicate a serious drop in influence of all officially acting organizations, particularly youth organizations. Their role in the process of shaping patriotic attitudes is, therefore,



small. Such activities adopted by the authorities as, for example, the putting in practice of the concept of youth promotions or the improvement of the system of advancement of highly qualified cadres employed periodically abroad also cannot be successful. Creating the possibility for young people for summer work in socialist and capitalist countries or improvement in the employment of college graduates will not help very much, either. I also do not foresee success for attempts at the critical pointing out of the reality in countries to which emigration is taking place or the realities of employment or the conditions and way of life of immigrants unless such action will be connected to complex activity of a reform nature.

There is a certain group of young people interested in working for the good of the country. A portion of the "reformers" of the functioning system belong to it as well as independent activists from the private sector and the vanguard of oppositional movements. Although not large, these groups have a strong sense of a national bond. They are the ones for whom conditions should be created for unimpeded activity, for example, in forming associations in various popular structures which until now have been informal. The detrimental monopoly on activity among youth should be broken. It is in activity that lies one of the chances for strengthening the patriotic attitude of youth. In the end, the organization or direction of activity that will, for example, successfully solve socioliving problems will win out. Young people should also be entrusted with concrete, responsible tasks in order to feel needed and at the same time convinced that they are also acting in their own, well understood interest. If they desire to form their own enterprises, joint ventures or cooperatives, let us not interfere. Let them show us what they can do. We already have some positive examples in this field. There are over 460 innovative enterprises in the country that are operating successfully and are being run by young people. The point of the matter is that there be as many such cases as possible.

Another youth group ties in its patriotism to the struggle for peace and preserving the natural environment in good condition. Let us, therefore, create conditions for this group as well so that it can implement its adopted goals.

[ZYCIE WARSZAWY] The proposals about which you speak have been advanced unsuccessfully for many years now. What should be done so that they do not continue to remain within the realm of draft plans and wishful thinking?

[Prof Balcerek] Consistency in breaking down stereotypes, habits and routine activity is necessary. We should stop talking about youth and the instrumental treatment of its problems. The organizing of, for example, not very genuine mass events of a pseudopatriotic nature is not conducive to this. On the other hand, what is necessary is the creation in all communities of an intergeneration partnership system with respect for the rights of both sides.

Besides certain steps taken "down below," there must also be significant steps made "up above." In my opinion, a model of managing the economy, and social and political

life should be created that would make people glad that they live in this and not some other country. Government-state programs should become social programs and not concepts detached from the realities of life. Otherwise, young people will not participate in their implementation. Obviously, not everyone can be convinced of this immediately. There will always be a certain percentage of those who are dissatisfied, unwilling, grumblers, cosmopolitans, and people who are unhappy in any situation. However, what matters is for this percentage to be as small as possible.

Yet another matter is the popularization of the broadly understood work ethos; the presentation of certain authority figures, of genuine heroes of our modern times—people who genuinely go through both success and failures. It is necessary to show them the way to real advancement attained by means of persevering work. It is not true that success cannot be achieved in Poland. Examples of people from various walks of life attest to this emphatically. Let us seek them out and present them but in an appropriate manner.

[ZYCIE WARSZAWY] Certain models of patriotic attitudes are contained in history. They were skillfully used at various times, particularly during the most difficult ones for the country. Is it worth borrowing from them now as well?

[Prof Balcerek] I believe so. From among many historical figures, those should be primarily popularized whose activity was characterized with a striving for reforms and progress. There are many such figures. The young themselves include in this group Grabski, Pilsudski, Dmowski, Kwiatkowski, Gomulka, and others. However, they must be presented not as "bronze statues" but as real human beings.

[ZYCIE WARSZAWY] You have expressed many concerns and apprehensions by at the same time proposing various concepts of your own with regard to propagating patriotism among youth. Did other participants of the Poznan seminar share your views?

[Prof Balcerek] It is difficult to answer this unequivocally. The seminar was only a kind of review of the problems and survey results and an attempt at revealing the difficulties in the process of shaping patriotism. According to the seminar participants, these difficulties often result from the improper interpretation of the concept of patriotism or from treating it in an instrumental manner. Therefore, further such meetings on a wider scale with the participation of young people are indispensable. To talk about patriotism without them is a certain form of "art for art's sake." However, a general conclusion can be drawn already today that the formation of patriotic attitudes should take place on the basis of changes in the substance, forms and methods used thus far in such a way that they adhere to the current living conditions of Polish society. Their primary goal must be contained in the strengthening of the emotional bond with one's country, its past and present. Otherwise, we will only continue to complain about the unpatriotic attitudes of youth. The only thing is that not much will change as a result of this.

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